Supreme Court, U.S.
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IN THE

Supreme Court of the United States

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Whether every third-party reseller of goods bearing famous trademarks has the right, as a matter of law, to incorporate the famous marks into the reseller's business name and Internet domain name, or whether such conduct instead constitutes "dilution" of the famous trademarks under the Federal Trademark Dilution Act.

RULE 29.6 STATEMENT

Petitioner Ty Inc. has no parent corporation and no publicly held company owns 10% or more of its stock.

TABLE OF CONTENTS

Pages

QUESTION PRESENTED i
RULE 29.6 STATEMENT ii
TABLE OF CONTENTS iii
TABLE OF AUTHORITIES iv
PETITION FOR A WRIT OF CERTIORARI 1
OPINIONS BELOW AND JURISDICTION 1
RELEVANT STATUTORY PROVISIONS 1
STATEMENT OF THE CASE 1
REASONS FOR GRANTING THE WRIT 6
I. The Seventh Circuit's Decision Conflicts With Uniform Authority In Other Courts Of Appeals And District Courts. 7
II. The Question Presented Is Vitally Important. 16
CONCLUSION 17

TABLE OF AUTHORITIES

Cases

Brookfield Communs., Inc. v. *West Coast Entm't Corp.*, 174 F.3d 1036 (CA9 1999) 13

Caterpillar Inc. v. *Telescan Techs., L.L.C.*, 2002 U.S. Dist. LEXIS 3477 (C.D. Ill. Feb. 13, 2002) 11

Dr. Ing. H.C.F. Porsche AG v. *Zim*, 481 F. Supp. 1247 (N.D. Tex. 1979) 8

Federal Express Corp. v. *Federal Espresso, Inc.*, 201 F.3d 168 (CA2 2000) 15

Ford Motor Co. v. *Ford Fin. Solutions, Inc.*, 103 F. Supp. 2d 1126 (N.D. Iowa 2000) 12

Ford Motor Co. v. *Weibel*, 262 F. Supp. 932 (D.R.I. 1967) 9

General Motors Corp. v. *E-Publications LLC*, 2001 WL 1798648 (E.D. Mich. Nov. 26, 2001) 11

General Motors Corp. v. *Smith*, 138 U.S.P.Q. 382 (S.D. Cal. 1963) 9

Green Prods. Co. v. *Independence Corn By-Products Co.*, 992 F. Supp. 1070 (N.D. Iowa 1997) 12

Intermatic Inc. v. *Toeppen*, 947 F. Supp. 1227 (N.D. Ill. 1996) 10, 13

Lincoln Motor Co. v. *Lincoln Automobile Co.*, 44 F.2d 812 (N.D. Ill. 1930) 9

Nabisco, Inc. v. *PF Brands, Inc.*, 191 F.3d 208 (CA2 1999) 4, 10, 15, 16

PACCAR, Inc. v. *TeleScan Techs., L.L.C.*, 115 F. Supp. 2d 772 (E.D. Mich. 2000) 10, 11, 13

Panavision International, L.P. v. *Toeppen*, 945 F. Supp. 1296 (C.D. Cal. 1996), *aff'd* 141 F.3d 1316 (CA9 1998) 10

Panavision International, L.P. v. *Toeppen*, 141 F.3d 1316 (CA9 1998) 10

People for the Ethical Treatment of Animals, Inc. v. *Doughney*, 113 F. Supp. 2d 915 (E.D. Va. 2000) 13

Playboy Enters., Inc. v. *Asiafocus Intern., Inc.*, 1998 WL 724000 (E.D. Va. Apr. 10, 1998) 13

Porsche Cars North America, Inc. v. *Manny's Porshop, Inc.*, 972 F. Supp. 1128 (N.D. Ill. 1997) 11

Ringling Bros.-Barnum & Bailey Comb. Shows, Inc. v. *Utah Div. Travel Dev.*, 170 F.3d 449 (CA4 1999) 15

TeleTech Customer Care Management, Inc. v. *Tele-Tech Co.*, 977 F. Supp. 1407 (C.D. Cal. 1997) 13

Times Mirror Magazines, Inc. v. *Las Vegas Sports News, L.L.C.*, 212 F.3d 157 (CA3 2000) 14

Trail Chevrolet, Inc. v. *General Motors Corp.*, 381 F.2d 353 (CA5 1967) 8, 12

Trans Union LLC v. *Credit Research, Inc.*, 142 F. Supp. 2d 1029 (N.D. Ill. 2001) 4, 11

V. Secret Catalogue, Inc. v. *Moseley*, 259 F.3d 464 (CA6 2001), *cert. granted*, 122 S. Ct. 1536 (2002) 14, 15

Victoria's Secret Stores v. *Artco Equip. Co., Inc.*, 194 F. Supp. 2d 704 (S.D. Ohio 2002) 12

Volkswagenwerk Aktiengesellschaft v. *Brewer*, 170 U.S.P.Q. 560 (D. Ariz. 1971) 9

Volkswagenwerk Aktiengesellschaft v. *Church*, 411 F.2d 350 (CA9 1969) 8, 9, 12

Volkswagenwerk Aktiengesellschaft v. *Karadizian*, 170 U.S.P.Q. 565 (C.D. Cal. 1971) 9

Volkswagenwerk Aktiengesellschaft v. *Rickard*, 492 F.2d 474 (CA5 1974) 8

Volkswagenwerk Aktiengesellschaft v. *Tatum*, 344 F. Supp. 235 (S.D. Fla. 1972) 9

Volkswagenwerk Aktiengesellschaft v. *Volks City, Inc.*, 348 F.2d 659 (CA3 1965) 8

Volkswagenwerk G.m.b.H. v. *Frank*, 198 F. Supp. 916 (D. Colo. 1961) 9

Statutes

15 U.S.C. § 1114 8

15 U.S.C. § 1127 ..... 1, 3, 7, 8

28 U.S.C. § 1254(1) 1

Federal Trademark Dilution Act, 15 U.S.C. § 1125(c) .. passim

Other Authorities

Federal Trademark Dilution Act of 1995: Hearings on H.R. 1295 Before the House, 104th Cong. 14318 (1995) 17

Federal Trademark Dilution Act of 1995: Hearings on H.R. 1295 Before the Senate, 104th Cong. 19312 (1995) 12

H.R. Rep. No. 104-374 (1995) 3, 13, 14, 17

L. Altman, *Callmann on Unfair Comp., Trademarks and Monopolies* (4th ed. 1999) 15

McCarthy on Trademarks and Unfair Competition (2001) 2

PETITION FOR A WRIT OF CERTIORARI

Petitioner Ty Inc. respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Seventh Circuit in this case.

OPINIONS BELOW AND JURISDICTION

The opinion of the Seventh Circuit (Pet. App. 1a-12a) is reported at 306 F.3d 509. The opinions of the district court (*id.* 13a-57a) are unpublished. The court of appeals issued its judgment on October 4, 2002. Justice Stevens subsequently extended the time to file this petition for certiorari to and including January 31, 2003. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

RELEVANT STATUTORY PROVISIONS

The relevant provisions of the Federal Trademark Dilution Act (15 U.S.C. § 1125(c)) and of 15 U.S.C. § 1127 are reproduced in the Appendix at Pet. App. 58a-61a.

STATEMENT OF THE CASE

This case presents one of the most important and frequently recurring questions regarding the protection of trademark rights, including particularly the protection of those rights in cyberspace: may third parties incorporate famous trademarks into their own business names and Internet domain names without the trademark owner's permission? Until the Seventh Circuit's decision in this case, the federal courts uniformly held, in numerous decisions spanning more than four decades, that the federal trademark laws prohibit such unauthorized use, whether as part of a business name or, more recently, an Internet domain name. Those courts recognize that the owner of a trademark is unable to control the operations of a third party and thus cannot protect the public's positive association with the mark. The court of appeals in this case, however (per Posner, J.), adopted

precisely the opposite rule, holding that a reseller of a product has the *per se* legal right to use a famous trademark in its business name. The upshot of that ruling is that owners of famous marks now face the immediate prospect of the value of their marks being diluted, distorted, and undermined by *tens of thousands* of unrelated parties simply because these third parties sell or resell the trademark owner's products.

1. Petitioner Ty Inc. ("Ty" or "petitioner") owns the registered trademark "Beanie Babies®" and the common law trademark "Beanies™" in connection with its popular Beanie Babies plush toys. Pet. App. 27a. As the Seventh Circuit recognized, these marks "are famous trademarks in the ordinary sense of the term: 'everybody has heard of them'; they are 'truly prominent and renowned' . . . [and] are household words." Pet. App. 3a (quoting 4 *McCarthy on Trademarks and Unfair Competition* § 24:109, p. 24-234 (2001)). It is undisputed that the public has a positive association with petitioner's "Beanie Babies" and "Beanies" marks. Ty does not sell Beanie Babies toys on the secondary market. *Id.* 38a-39a.

Respondent Ruth Perryman ("Perryman" or "respondent") is a second-hand dealer in bean bag toys. She is not an authorized Ty retailer. Pet. App. 26a. In late 1997, respondent began doing business under the name "Bargain Beanies," and opened an Internet web site under the domain name "www.bargainbeanies.com." Pet. App. 26a-27a. Respondent sells plush toys over the Internet, and her "principal merchandise" (*i.e.*, 80% of her sales) is Ty's Beanie Babies toys (Pet. App. 7a, 10a), whereas plush toys not made by Ty account for 20% of her sales (*id.* at 10a, 27a-28a). In addition, respondent referred to non-Ty products as "Beanies" on her web site. *Id.* 55a.

Petitioner has no control over respondent's operations, or over the operations of thousands of other unauthorized resellers of Ty products. Petitioner cannot control the content of respondent's web site, whether the site is operating at all,

or whether she operates ethically or in a businesslike manner. Nor can petitioner control the materials that respondent sells on her site, all under the auspices of the famous "Beanies" mark.

In December of 1999, petitioner sued respondent under the Lanham Act, seeking to stop respondent's use of Ty's famous "Beanies" trademark as part of her business and domain names. Pet. App. 28a. Petitioner alleged, among other things, trademark dilution in violation of 15 U.S.C. § 1125(c) (the Federal Trademark Dilution Act, or "FTDA"). The FTDA makes unlawful any unauthorized use of a famous trademark that causes dilution of the distinctive quality of the mark. "Dilution" is the "lessening of the capacity of a famous mark to identify and distinguish goods or services," regardless of the presence or absence of competition between the parties or likelihood of confusion. 15 U.S.C. § 1127, Pet. App. 61a. The legislative history of Section 1125(c) explains how trademark dilution differs from trademark infringement:

> Dilution does not rely upon the standard test of infringement, that is, likelihood of confusion, deception or mistake. Rather, it applies when the unauthorized use of a famous mark *reduces the public's perception that the mark signifies something unique, singular, or particular*. As summarized in one decision: Dilution is an injury that differs materially from that arising out of the orthodox confusion. Even in the absence of confusion, the *potency of a mark may be debilitated by another's use. This is the essence of dilution*. Confusion leads to immediate injury, while dilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.

H.R. Rep. No. 104-374 at 1030 (emphasis added). The Second Circuit summarized:

> The antidilution statutes rest on a judgment that the stimulant effect of a distinctive and well-known

> mark is a powerful selling tool that deserves legal protection. This power derives not only from the merit of the goods upon which [the mark] is used, but equally [from the mark's] own uniqueness and singularity. Even when an unauthorized use of the mark does not cause consumer confusion, it can reduce [] the public's perception that the mark signifies something unique, singular, or particular. The junior use thereby diminishes the selling power that a distinctive mark or name with favorable associations has engendered for a product in the mind of the consuming public.

Nabisco, Inc. v. *PF Brands, Inc.*, 191 F.3d 208, 217 (CA2 1999) (quotations and citations omitted).

2. On July 17, 2001, in response to Ty's motion for summary judgment, the district court held that respondent's use of Ty's famous "Beanies" mark in her business name and domain name diluted petitioner's trademark rights in violation of 15 U.S.C. § 1125(c). Pet. App. 54a-55a. After the parties compiled what the Seventh Circuit recognized was an "extensive record" (Pet. App. 11a), the district court found that petitioner satisfied each element of its trademark dilution claim, in that: Ty's "Beanie Babies" and "Beanies" marks were famous before respondent began using the "Beanies" mark in her name; respondent used the "Beanies" mark in commerce; and respondent's use of the term "Beanies" dilutes Ty's protectable marks. Pet. App. 53a-55a. In finding dilution, the district court observed that "[d]ilution occurs in cyberspace when defendant's use 'lessens the capacity of [plaintiff] to identify and distinguish its goods and services by means of the Internet.'" Pet. App. 54a (quoting *Trans Union LLC* v. *Credit Research, Inc.*, 142 F. Supp. 2d 1029, 1045 (N.D. Ill. 2001)). The court also noted that respondent's use of the term "beanies" on her www.bargainbeanies.com web site would cause Ty to become associated with "an unimaginable variety of products of varying quality

(including competing products)," and that respondent's reference to third-party toys as "beanies" "clearly lessens the capacity of the plaintiff to distinguish its goods from competitors." *Id.* 55a.

3. On respondent's appeal, the Seventh Circuit reversed. The court of appeals expressly agreed with the district court that Ty's "Beanie Babies" and "Beanies" marks are "famous trademarks" in that "everybody has heard of them" and they are "truly prominent and renowned." Pet. App. 3a. It nevertheless ruled, as a matter of law, that respondent's use of the marks in her business and domain names was not dilution.

The Seventh Circuit did not reason from the text of the FTDA or prior precedent in any respect, but rather relied upon its own view of the "purpose of trademark." Pet. App. 2a. Dilution occurs, the court asserted, only in classes of cases that necessarily give rise to, at most, three circumstances: (1) "blurring," *i.e.*, "if a trademark becomes associated with a variety of unrelated products"; (2) "tarnishment," *i.e.*, if a trademark is subject to a negative association (as with a Tiffany "striptease joint"); and potentially (3) "taking a free ride on the investment of the trademark owner in the trademark." *Id.* 4a-5a. Further, according to the appellate court, the FTDA may not be invoked in a manner that would "forbid commercial uses that accelerate the transition from trademarks (brand names) to generic names (product names)." *Id.* 8a. The court reasoned that, although there is a "social cost" when a mark becomes generic (in that the trademark owner's investment is lost and such investment is discouraged), there is also a "social benefit, namely an addition to ordinary language." *Id.* 9a.

On that basis, the Seventh Circuit held, as a matter of law, that a reseller of goods bearing a famous trademark may incorporate the famous mark into its business name without violating the Federal Trademark Dilution Act. Although respondent did sell more than just Beanie Babies, the court of appeals reasoned: "Supposing that Perryman sold *only*

Beanie Babies * * * we would find it impossible to understand how she could be thought to be blurring, tarnishing, or otherwise free riding to any significant extent on Ty's investment in its mark." Pet. App. 6a. One qualification the court added was that respondent may not specifically *label* toys other than Beanie Babies "other Beanies" on her web site, although she may name her entire business with petitioner's famous mark. *Id.* 10a-11a.

Petitioner's suit was only directed at respondent's use of petitioner's famous marks in her business and domain names. Petitioner did not seek to block respondent from advertising the products (*i.e.*, Beanie Babies) she had available for resale. Nevertheless, the court of appeals also reasoned that "[y]ou can't sell a branded product without using its brand name, that is, its trademark. * * * To say she was [engaging in trademark dilution] would amount to saying that if a used car dealer truthfully advertised that it sold Toyotas, or if a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in Toyotas, Toyota would have a claim of trademark infringement." *Id.* 6a-7a. *See also id.* 7a ("Perryman's principal merchandise is Beanie Babies, so that to forbid it to use 'Beanies' in its business name and advertising (Web or otherwise) is like forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising.").

The court of appeals accordingly concluded, as a matter of law, that petitioner could not make out a claim of trademark dilution. Pet. App. 11a. This petition for a writ of certiorari followed.

REASONS FOR GRANTING THE WRIT

Certiorari should be granted for two reasons. *First*, the Seventh Circuit's decision abrogates a heretofore uniform line of circuit and district court precedent holding that federal trademark law prohibits a third party's unauthorized use of a famous trademark in its name. The decision thus immediately

undercuts the basic purpose of the Federal Trademark Dilution Act by permitting unauthorized uses of famous marks in prominent and highly destructive ways.

Second, the question presented is vitally important. Virtually every owner of a famous mark constantly faces the prospect that third-party resellers of its goods will appropriate the mark. Importantly, given the inherently interstate (indeed, international) operation of the World Wide Web, such a marked disagreement in the rule of law applied by the territorially denominated courts of appeals is untenable and invites the appropriation of marks by opportunistic individuals seeking to take advantage of the Seventh Circuit's newly announced safe harbor from the reach of the FTDA. Further, the court of appeals' holding undermines the ability of U.S. trade negotiators to secure greater trademark protections overseas for U.S. businesses, which was a principal goal of the FTDA.

I. The Seventh Circuit's Decision Conflicts With Uniform Authority In Other Courts Of Appeals And District Courts.

1. The FTDA permits the "owner of a famous mark" to secure "an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. § 1125(c)(1). This case involves the element of "dilution," defined by the statute as "[t]he lessening of the capacity of a famous mark to identify and distinguish goods or services." *Id.* § 1127. The Seventh Circuit held as a matter of law that a reseller's use of a famous mark in its business name or Internet domain name cannot constitute trademark dilution. Pet. App. 6a-7a.

The Seventh Circuit's decision conflicts with the rulings of every other federal court to have considered this or a related question. These decisions stretch back through decades of federal trademark law. Even before enactment of

the FTDA, several courts of appeals held that the unauthorized incorporation of a well-known trademark in a third party's business name violated the Lanham Act's prohibition on trademark infringement, which imposes the heightened burden of proving that the parties are in competition and that the defendant's activities give rise to a "likelihood of confusion." *Compare* 15 U.S.C. § 1114 and 1125(a) *with* 15 U.S.C. § 1127 (eliminating those elements from the FTDA). Indeed, each of these cases arose in the context of automobile resellers, precisely the example that the Seventh Circuit used in its decision.

Thus, in *Volkswagenwerk Aktiengesellschaft* v. *Volks City, Inc.*, 348 F.2d 659 (CA3 1965), the Third Circuit upheld a preliminary injunction against a defendant who sold and serviced Volkswagens, precluding defendant from using the trade name "Volks City" and the designations "Volkswagen Dealer" and "Dealer in Volkswagens." The Fifth Circuit followed suit in *Trail Chevrolet, Inc.* v. *General Motors Corp.*, 381 F.2d 353, 354 (CA5 1967) upholding a permanent injunction precluding defendant, which sold and serviced used Chevrolet cars, from using the word "Chevrolet" in its business name. *Accord Volkswagenwerk Aktiengesellschaft* v. *Rickard*, 492 F.2d 474 (CA5 1974) (defendant could use plaintiff's trademarks to advertise that it serviced plaintiff's cars, but could not use plaintiff's marks as part of its business name, "The Bug Shop"). And in *Volkswagenwerk Aktiengesellschaft* v. *Church*, 411 F.2d 350, 351-52 (CA9 1969), the Ninth Circuit affirmed the lower court's ruling that defendant's use of the mark "Volkswagen" as part of its business name violated the trademark laws, although the defendant could advertise that it serviced Volkswagen and Porsche automobiles.[1]

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[1] Countless district courts have similarly ruled. *E.g.*, *Dr. Ing. H.C.F. Porsche AG* v. *Zim*, 481 F. Supp. 1247, 1250 (N.D. Tex. 1979) ("POR-SHA" for business that repairs Porsche cars);

The Seventh Circuit's ruling in this case is irreconcilable with these decisions. The Ninth Circuit recognized that permitting the defendant to use the plaintiff's mark in a business name would "suggest to his prospective customers that he is part of [the mark holder's] organization of franchised dealers and repairmen." *Church*, 411 F.2d at 352. The Fifth Circuit similarly recognized that such a practice would "mislead and deceive the public into accepting and purchasing used automobiles from [the defendant] in the belief that it (the public) was dealing with the [mark holder's] authorized dealers and that the defendants' business was sponsored or connected with, endorsed by or supervised by [the mark holder]." *Trail Chevrolet*, 381 F.2d at 354. As one district court put it, in terms that track the FTDA perfectly, the rule subsequently adopted by the Seventh Circuit "dilutes the distinctiveness of plaintiff's marks as the source or origin of products and services emanating from plaintiff or its authorized distributors and dealers." *Volkswagenwerk Aktiengesellschaft* v. *Karadizian*, 170 U.S.P.Q. 565, 567 (C.D. Cal. 1971).

Under the foregoing cases, liability under the FTDA, which imposes a substantially lesser standard and only applies

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Volkswagenwerk Aktiengesellschaft v. *Tatum*, 344 F. Supp. 235 (S.D. Fla. 1972) ("Volkswagen Service Center" for service station); *Volkswagenwerk Aktiengesellschaft* v. *Brewer*, 170 U.S.P.Q. 560 (D. Ariz. 1971) ("Volkscity Service Center" for business that fixed Volkswagen cars); *Volkswagenwerk Aktiengesellschaft* v. *Karadizian*, 170 U.S.P.Q. 565 (C.D. Cal. 1971) ("Volkswagen Village" for business that sold and repaired used Volkswagens); *Ford Motor Co.* v. *Weibel*, 262 F. Supp. 932 (D.R.I. 1967) ("Weibel Ford" for used car business); *General Motors Corp.* v. *Smith*, 138 U.S.P.Q. 382 (S.D. Cal. 1963) (car repair service named "Smith's Chevrolet Service"); *Volkswagenwerk G.m.b.H.* v. *Frank*, 198 F. Supp. 916 (D. Colo. 1961) ("Volkswagen" marks in defendant's retail car business name); *Lincoln Motor Co.* v. *Lincoln Automobile Co.*, 44 F.2d 812 (N.D. Ill. 1930) ("Lincoln Automobile Company" for business that sold used Lincoln cars).

to famous trademarks, follows *a fortiori*. "Even when an unauthorized use of the mark does not cause consumer confusion, it can reduce the public's perception that the mark signifies something unique, singular, or particular." *Nabisco*, 191 F.3d at 217. Thus, in *Panavision International, L.P.* v. *Toeppen*, 141 F.3d 1316 (CA9 1998), the defendant registered a domain name, "panavision.com," that incorporated plaintiff's famous mark. The Ninth Circuit upheld summary judgment in favor of the plaintiff under its FTDA claim, because the defendant's conduct "diminished 'the capacity of the Panavision marks to identify and distinguish Panavision's goods and services on the Internet.'" *Id.* at 1326 (quoting *Panavision International, L.P.* v. *Toeppen*, 945 F. Supp. 1296, 1304 (C.D. Cal. 1996), *aff'd* 141 F.3d 1316 (CA9 1998)). In finding dilution, the Ninth Circuit also observed that "Toeppen's use of panavision.com puts Panavision's name and reputation at his mercy." *Id.* at 1327 (citing *Intermatic Inc.* v. *Toeppen*, 947 F. Supp. 1227, 1240 (N.D. Ill. 1996)).

Similarly, in *PACCAR, Inc.* v. *TeleScan Techs., L.L.C.*, 115 F. Supp. 2d 772 (E.D. Mich. 2000) the defendant was preliminarily enjoined from using plaintiff's trademarks in domain names such as "peterbilttrucks.com" and "kenworthnewtrucks.com" even though the defendant's web sites assisted consumers in locating new and used Peterbilt and Kenworth trucks. The court found a likelihood of success on plaintiff's dilution claim and rejected defendant's argument that there was no dilution because the goods sold by the defendant ("TeleScan") were manufactured by plaintiff ("PACCAR"):

> TeleScan's argument misses the point. *The issue is the web site itself, not the trucks*. Here, there is sufficient evidence to believe that a consumer may mistakenly associate TeleScan's web sites with PACCAR's trademarks. Since PACCAR has no power to influence or control what appears on

> TeleScan's web sites, it is effectively "at the mercy" of TeleScan. Thus, TeleScan's use of PACCAR's trademarks in TeleScan's domain names is trademark dilution.

Id. at 780 (emphasis added).

Other courts have uniformly reached the same conclusion. *See, e.g.*, *General Motors Corp.* v. *E-Publications LLC*, 2001 WL 1798648, at *3 (E.D. Mich. Nov. 26, 2001) (permanent injunction against defendant who used the business names "Restore GM" and "Restore GM Muscle" and the Internet domain names "restoregm.com" and "restoregmmuscle.com" in connection with advertisement and sale of GM parts and services, because defendant's use of plaintiff's famous marks "dilutes the distinctive quality of the GM Marks"); *Porsche Cars North America, Inc.* v. *Manny's Porshop, Inc.*, 972 F. Supp. 1128, 1132 (N.D. Ill. 1997) (preliminary injunction on plaintiff's FTDA claim because defendant's use of the name MANNY'S PORSHOP for a Porsche repair shop "has the likely effect of diluting the name 'Porsche' and plaintiffs' unique script"); *Trans Union*, 142 F. Supp. 2d at 1029 (defendant preliminarily enjoined from using plaintiff's "Trans Union" mark in certain domain names for web sites that utilized Trans Union's database for credit reporting services); *Caterpillar Inc.* v. *Telescan Techs., L.L.C.*, 2002 U.S. Dist. LEXIS 3477 (C.D. Ill. Feb. 13, 2002) (defendant precluded from using plaintiff's famous "Caterpillar" and "Cat" marks as part of several domain names (such as "catusedequipment.com" and "caterpillardealers.com") where defendant intended to use the domain names to promote web site that contained a listing of the heavy equipment inventories of subscribing dealers).

2. The Seventh Circuit ignored the reasoning of the foregoing cases, concluding that such an interpretation would preclude a reseller or service company from advertising that it sold, or repaired, the brand-name products. That is simply wrong. The Fifth and Ninth Circuits expressly held that a

third party may use a trademark to advertise its goods or services, but it may not take the further step – forbidden by the trademark laws – of using the mark in its business name, thereby suggesting that the third party is associated with the mark holder. *Church*, 411 F.2d at 352; *Trail Chevrolet*, 381 F.2d at 354. The Seventh Circuit thus destroyed the distinction between a third party's right to advertise the goods it is selling (which is entirely permissible and consistent with the protection accorded a famous mark) with the very different asserted right to create a perceived affiliation of a *business* (through its name and its web-site name) with the holder of the protected mark. In other circuits, respondent is free to advertise that she sells Beanie Babies, but she manifestly may not create the impression in the public's mind that her business is affiliated with petitioner Ty, and further may not reduce the public's perception that the "Beanies" mark signifies something unique or singular.[2]

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[2] It is well-settled that unauthorized use of trademarks as domain names gives rise to a claim of trademark dilution. In fact, the FTDA was meant to address unauthorized trademark uses in domain names: "it is my hope that this anti-dilution statute can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others." Federal Trademark Dilution Act of 1995: Hearings on H.R. 1295 Before the Senate, 104th Cong. 19312 (1995) (Statement of Senator Leahy). *See generally Victoria's Secret Stores* v. *Artco Equip. Co., Inc.*, 194 F. Supp. 2d 704, 732 (S.D. Ohio 2002) ("The Court sees no difference between using plaintiffs' mark on the sign attached to a bricks and mortar sex toy store and using plaintiffs' mark on cybersigns—such as domain name, hyperlinks, and metatags— attached to a online sex toy store."); *see also Ford Motor Co.* v. *Ford Fin. Solutions, Inc.*, 103 F. Supp. 2d 1126, 1128 (N.D. Iowa 2000) ("Domain names identify the Internet site to those who reach it 'much like a person's name identifies a particular person, or, more relevant to trademark disputes, a company's name identifies a specific company.'" (quoting *Green Prods. Co.* v. *Independence Corn By-Products Co.*,

The Seventh Circuit was both incorrect and in conflict with its sister circuits when it concluded that, because respondent resells goods manufactured by petitioner, petitioner could not be harmed by respondent's use of a business name that so directly suggests an association with petitioner. Respondent's use of petitioner's mark as the centerpiece of its domain name, along with similar uses by many *thousands* of other businesses that are now allowed

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992 F. Supp. 1070, 1076 (N.D. Iowa 1997); *PACCAR*, 115 F. Supp. 2d at 779 ("Due to the nature of the Internet, and the way in which Internet surfers search for information on the Web, a domain name is significantly different than a classified advertisement. The use of the name of a truck in a classified advertisement communicates information as to the source of the truck, not information as to the seller of the truck. Words in domain names, however, do communicate information as to the nature of the entity sponsoring the web site." (citing *Brookfield Communs., Inc.* v. *West Coast Entm't Corp.*, 174 F.3d 1036, 1055 (CA9 1999))); *Intermatic*, 947 F. Supp. at 1238 (defendant's registration of the domain name "intermatic.com" was trademark dilution under the FTDA: "The definition is designed to encompass all forms of dilution recognized by the courts, including dilution by blurring, by tarnishment and disparagement, and by diminishment." (quoting H.R. Rep. No. 104-374, at 1035)); *Playboy Enters., Inc.* v. *Asiafocus Intern., Inc.*, 1998 WL 724000, at *8 (E.D. Va. Apr. 10, 1998) (unreported) (defendant's use of plaintiff's trademarks in domain name was trademark dilution: "It is clear that the capacity of PEI to identify its goods and services was diminished by the defendants' use of the terms to promote not only their Web site, but the goods and services offered in connection therewith."); *TeleTech Customer Care Management, Inc.* v. *Tele-Tech Co.*, 977 F. Supp. 1407 (C.D. Cal. 1997) (defendant enjoined, under FTDA, from using plaintiff's mark in its domain name); *People for the Ethical Treatment of Animals, Inc.* v. *Doughney*, 113 F. Supp. 2d 915, 920 (E.D. Va. 2000) (defendant's use of plaintiff's mark in domain name was dilution by blurring, because he used plaintiff's famous mark to mentally associate his website (peta.org) to the PETA mark), *aff'd*, 263 F.3d 359 (CA4 2001)).

under the Seventh Circuit's decision, inevitably and falsely communicates that petitioner is associated with, or has authorized, those businesses. And more to the point, such unrestricted and widespread uses of petitioner's famous mark in the business names of third parties will most assuredly reduce the public's perception that the famous mark signifies something unique, singular or particular. Under the decision below, the famous "Beanies" mark will be identified not only with Ty Inc. of Oakbrook, Illinois, but also with Ruth Perryman's business in Vallejo, California, and with every other business that will now be permitted to use Ty's famous mark in its business name.

The use of a famous mark in a business name creates a substantial prospect of dilution by blurring and tarnishment. Respondent's business name blurs petitioner's mark because the public will now think of respondent's business and her web site when they see Ty's famous mark. This is a classic instance of dilution, which occurs when the public "begins associating both the plaintiff and the defendant with the famous marks." *Times Mirror Magazines, Inc.* v. *Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 168 (CA3 2000). The Seventh Circuit's decision furthermore creates an obvious and palpable risk of tarnishment because petitioner has no ability to control the business practices of respondent or any other entity that chooses to employ petitioner's marks. In an era in which Internet businesses quickly flare up and collapse, there is a very real prospect that Ty's marks will become associated with individuals and entities engaging in unethical or incompetent business practices. *Accord V. Secret Catalogue, Inc.* v. *Moseley*, 259 F.3d 464, 477 (CA6 2001), *cert. granted*, 122 S. Ct. 1536 (2002).

The Seventh Circuit's decision thus undermines the very heart of the FTDA. The statute is designed to protect "the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374. Congress accordingly recognized that "the potency of a mark may be

debilitated by another's use. *This is the essence of dilution.*" *Id.* (emphasis added).

The Seventh Circuit's focus on what it perceived to be the purpose of the FTDA (Pet. App. 2a) also reflects a broader disagreement in the federal courts over the statute's scope. The court of appeals held that petitioner could not invoke the FTDA in a manner that would preclude "commercial uses that accelerate the transition from trademarks (brand names) to generic names (product names)." *Id.* 8a. The Fourth Circuit similarly holds that the statute protects a trademark's "selling power, *not* its 'distinctiveness' as such." *Ringling Bros.-Barnum & Bailey Comb. Shows, Inc.* v. *Utah Div. Travel Dev.*, 170 F.3d 449, 458 (CA4 1999) (emphasis added).

By contrast, the Second Circuit holds that the FTDA protects against "lessening the distinctiveness of the senior mark." *Federal Express Corp.* v. *Federal Espresso, Inc.*, 201 F.3d 168, 176 (CA2 2000). In that court's view, "distinctiveness of the mark is the quality that the statute endeavors to protect." *Nabisco*, 198 F.3d at 217. That holding is consistent with the accepted understanding that the negative "end result" of dilution "may be the transformation of a distinctive trademark into a generic term, or its transformation into the kind of weak or even totally nondistinctive mark that has, at best, a narrow product scope of protection." 3A L. Altman, *Callmann on Unfair Comp., Trademarks and Monopolies* § 21.11 (4th ed. 1999). The Second Circuit thus would hold that petitioner may invoke the FTDA in order to protect the distinctive quality of its marks and thus to prevent those marks from becoming "generic."[3]

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[3] This disagreement is related to the question presented in No. 01-1015, *Moseley* v. *V. Secret Catalogue, Inc.* That case presents the circuit split over whether a plaintiff seeking an injunction under the FTDA must establish present dilution or whether a showing of a likelihood of future dilution is sufficient. The Fourth Circuit in *Ringling Brothers*, *supra*, equated present

II. The Question Presented Is Vitally Important.

The Seventh Circuit's decision invites an onslaught of misappropriation of marks protected by the Federal Trademark Dilution Act. According to the decision below, *any* business that resells or services the products of a holder of a famous mark may use that mark in the name of its business or of its Internet web site. Respondent's "Bargain Beanies" is obviously just the beginning, for there could be innumerable other iterations of the "Beanies" and "Beanie Babies" marks. And the decision below furthermore applies fully to every other famous mark, as demonstrated by the Seventh Circuit's pointed reference to the marks of the major automobile manufacturers, which until the decision below, had been protected by the federal trademark laws. It is difficult to imagine a famous mark that is not directly implicated by the Seventh Circuit's ruling.

Because the decision below cannot be reconciled with decisions of other circuits, it produces an unacceptably uncertain legal regime. In particular, this case directly raises the rights of the holders of famous marks vis-à-vis Internet web-site owners. The inherently interstate – indeed, international – nature of the World Wide Web makes it essential to have a uniform and definite rule of law regarding the respective rights of web-site owners and of trademark holders.

By substantially reducing the protections afforded famous marks, the Seventh Circuit's decision also has the effect of undermining the ability of U.S. trade negotiators to secure greater trademark protections for U.S. businesses from foreign governments. Among Congress's principal purposes in enacting the FTDA was to "assist the executive branch in its bilateral and multilateral negotiations with other countries

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dilution with harm to the mark's "selling power," while the Second Circuit in *Nabisco* equated harm to "distinctiveness of the mark" with likelihood of dilution.

to secure greater protection for the famous marks owned by U.S. companies. Foreign countries are reluctant to change their laws to protect famous U.S. marks if the U.S. itself does not afford special protection for such marks." H.R. Rep. No. 104-374, at 1031. *Accord* Federal Trademark Dilution Act of 1995: Hearings on H.R. 1295 Before the House, 104th Cong. 14318 (1995) (Statement of Rep. Schroeder, member of Subcommittee on Courts and Intellectual Property). The Seventh Circuit, however, has directly undercut the effectiveness of the FTDA in an important, highly visible, and recurring respect that implicates the rights of foreign owners of marks protected in the United States. Congress's goal of encouraging the reciprocal enhancement of the protections provided to famous marks overseas will be impeded as a result.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT DECIDED OCTOBER 4, 2002

In the
United States Court of Appeals
For the Seventh Circuit

No. 02-1771

TY INC.,

Plaintiff-Appellee,

v.

RUTH PERRYMAN,

Defendant-Appellant.

Appeal from the United States District Court
for the Northern District of Illinois, Eastern Division.
No. 99 C 8190—**John F. Grady,** *Judge.*

ARGUED SEPTEMBER 11, 2002—DECIDED OCTOBER 4, 2002

Before POSNER, EASTERBROOK, and EVANS, *Circuit Judges.*

POSNER, *Circuit Judge.* Ty Inc., the manufacturer of Beanie Babies, the well-known beanbag stuffed animals, brought this suit for trademark infringement against Ruth Perryman. Perryman sells second-hand beanbag stuffed animals, primarily but not exclusively Ty's Beanie Babies, over the Internet. Her Internet address ("domain name"), a particular focus of Ty's concern, is bargainbeanies.com. She has a

like-named Web site (http://www.bargainbeanies.com) where she advertises her wares. Ty's suit is based on the federal antidilution statute, 15 U.S.C. § 1125(c), which protects "famous" marks from commercial uses that cause "dilution of the distinctive quality of the mark." See *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 214-16 (2d Cir. 1999). The district court granted summary judgment in favor of Ty and entered an injunction that forbids the defendant to use "BEANIE or BEANIES or any colorable imitation thereof (whether alone or in connection with other terms) within any business name, Internet domain name, or trademark, or in connection with any non-Ty products." Perryman's appeal argues primarily that "beanies" has become a generic term for beanbag stuffed animals and therefore cannot be appropriated as a trademark at all, and that in any event the injunction (which has remained in effect during the appeal) is overbroad.

The fundamental purpose of a trademark is to reduce consumer search costs by providing a concise and unequivocal identifier of the particular source of particular goods. The consumer who knows at a glance whose brand he is being asked to buy knows whom to hold responsible if the brand disappoints and whose product to buy in the future if the brand pleases. This in turn gives producers an incentive to maintain high and uniform quality, since otherwise the investment in their trademark may be lost as customers turn away in disappointment from the brand. A successful brand, however, creates an incentive in unsuccessful competitors to pass off their inferior brand as the successful brand by adopting a confusingly similar trademark, in effect appropriating the goodwill created by the producer of the

successful brand. The traditional and still central concern of trademark law is to provide remedies against this practice.

Confusion is not a factor here, however, with a minor exception discussed at the end of the opinion. Perryman is not a competing producer of beanbag stuffed animals, and her Web site clearly disclaims any affiliation with Ty. But that does not get her off the hook. The reason is that state and now federal law also provides a remedy against the "dilution" of a trademark, though as noted at the outset of this opinion the federal statute is limited to the subset of "famous" trademarks and to dilutions of them caused by commercial uses that take place in interstate or foreign commerce. "Beanie Babies," and "Beanies" as the shortened form, are famous trademarks in the ordinary sense of the term: "everybody has heard of them"; they are "truly prominent and renowned," in the words of Professor McCarthy, 4 *McCarthy on Trademarks and Unfair Competition* § 24:109, p. 24-234 (2001), as distinguished from having a merely local celebrity. *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 98-99 (2d Cir. 2001). And while both this court and the Third Circuit have held, in opposition to the Second Circuit's *TCPIP* decision, that "fame," though it cannot be local, may be limited to "niche" markets, *Syndicate Sales, Inc. v. Hampshire Paper Corp.*, 192 F.3d 633, 640-41 (7th Cir. 1999); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 164 (3d Cir. 2000), this is not a conflict to worry over here; Ty's trademarks are household words. And Perryman's use of these words was commercial in nature and took place in interstate commerce, and doubtless, given the reach of the aptly named World Wide Web, in foreign commerce as well.

But what is "dilution"? There are (at least) three possibilities relevant to this case, each defined by a different underlying concern. First, there is concern that consumer search costs will rise if a trademark becomes associated with a variety of unrelated products. Suppose an upscale restaurant calls itself "Tiffany." There is little danger that the consuming public will think it's dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name "Tiffany" they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store. *Exxon Corp. v. Exxene Corp.*, 696 F.2d 544, 549-50 (7th Cir. 1982); cf. *Mead Data Central, Inc. v. Toyota Motor Sales, U.S.A., Inc.*, 875 F.2d 1026, 1031 (2d Cir. 1989) ("The [legislative] history [of New York's antidilution statute] disclosed a need for legislation to prevent such 'hypothetical anomalies' as 'Dupont shoes, Buick aspirin tablets, Schlitz varnish, Kodak pianos, Bulova gowns' "); 4 *McCarthy on Trademarks and Unfair Competition, supra*, § 24:68, pp. 24-120 to 24-121. So "blurring" is one form of dilution.

Now suppose that the "restaurant" that adopts the name "Tiffany" is actually a striptease joint. Again, and indeed even more certainly than in the previous case, consumers will not think the striptease joint under common ownership with the jewelry store. But because of the inveterate tendency of the human mind to proceed by association, every time they think of the word "Tiffany" their image of the fancy jewelry store will be tarnished by the association of the word with the strip

joint. *Hormel Foods Corp. v. Jim Henson Productions, Inc.*, 73 F.3d 497, 507 (2d Cir. 1996); 4 *McCarthy on Trademarks and Unfair Competition, supra*, § 24:95, pp. 24-195, 24-198. So "tarnishment" is a second form of dilution. Analytically it is a subset of blurring, since it reduces the distinctness of the trademark as a signifier of the trademarked product or service.

Third, and most far-reaching in its implications for the scope of the concept of dilution, there is a possible concern with situations in which, though there is neither blurring nor tarnishment, someone is still taking a free ride on the investment of the trademark owner in the trademark. Suppose the "Tiffany" restaurant in our first hypothetical example is located in Kuala Lumpur and though the people who patronize it (it is upscale) have heard of the Tiffany jewelry store, none of them is ever going to buy anything there, so that the efficacy of the trademark as an identifier will not be impaired. If appropriation of Tiffany's aura is nevertheless forbidden by an expansive concept of dilution, the benefits of the jewelry store's investment in creating a famous name will be, as economists say, "internalized"—that is, Tiffany will realize the full benefits of the investment rather than sharing those benefits with others—and as a result the amount of investing in creating a prestigious name will rise.

This rationale for antidilution law has not yet been articulated in or even implied by the case law, although a few cases suggest that the concept of dilution is not exhausted by blurring and tarnishment, see *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316, 1326 (9th Cir. 1998); *Intermatic*,

Inc. v. Toeppen, 947 F. Supp. 1227, 1238-39 (N.D. Ill. 1996); *Rhee Bros., Inc. v. Han Ah Reum Corp.*, 178 F. Supp. 2d 525, 530 (D. Md. 2001), and the common law doctrine of "misappropriation" might conceivably be invoked in support of the rationale that we have sketched. See Rochelle Cooper Dreyfuss & Roberta Rosenthal Kwall, *Intellectual Property: Cases and Materials on Trademark, Copyright and Patent Law* 137-38 (1996). The validity of the rationale may be doubted, however. The number of prestigious names is so vast (and, as important, would be even if there were no anti-dilution laws) that it is unlikely that the owner of a prestigious trademark could obtain substantial license fees if commercial use of the mark without his consent were forbidden despite the absence of consumer confusion, blurring, or tarnishment. Competition would drive the fee to zero since, if the name is being used in an unrelated market, virtually every prestigious name will be a substitute for every other in that market.

None of the rationales we have canvassed supports Ty's position in this case. Perryman is not producing a product, or a service, such as dining at a restaurant, that is distinct from any specific product; rather, she is selling the very product to which the trademark sought to be defended against her "infringement" is attached. You can't sell a branded product without using its brand name, that is, its trademark. Supposing that Perryman sold *only* Beanie Babies (a potentially relevant qualification, as we'll see), we would find it impossible to understand how she could be thought to be blurring, tarnishing, or otherwise free riding to any significant extent on Ty's investment in its mark. To say she was would amount to saying that if a used car dealer truthfully advertised that

it sold Toyotas, or if a muffler manufacturer truthfully advertised that it specialized in making mufflers for installation in Toyotas, Toyota would have a claim of trademark infringement. Of course there can be no aftermarket without an original market, and in that sense sellers in a trademarked good's aftermarket are free riding on the trademark. But in that attenuated sense of free riding, almost everyone in business is free riding.

Ty's argument is especially strained because of its marketing strategy. As we explained in an earlier case brought by Ty, *Ty, Inc. v. GMA Accessories, Inc.*, 132 F.3d 1167, 1173 (7th Cir. 1997), Ty deliberately produces a quantity of each Beanie Baby that fails to clear the market at the very low price that it charges for Beanie Babies. The main goal is to stampede children into nagging their parents to buy the new Baby lest they be the only kid on the block who doesn't have it. A byproduct (or perhaps additional goal) is the creation of a secondary market, like the secondary market in works of art, in which prices on scarce Beanie Babies are bid up to a market-clearing level. Perryman is a middleman in this secondary market, the market, as we said, that came into existence as the result, either intended or foreseen, of a deliberate marketing strategy. That market is unlikely to operate efficiently if sellers who specialize in serving it cannot use "Beanies" to identify their business. Perryman's principal merchandise is Beanie Babies, so that to forbid it to use "Beanies" in its business name and advertising (Web or otherwise) is like forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising.

It is true that Web search engines do not stop with the Web address; if Perryman's Web address were www.perryman.com but her Web page mentioned Beanies, a search for the word "Beanies" would lead to her Web page. Yet we know from the events that led up to the passage in 1999 of the Anti-cybersquatting Consumer Protection Act, 15 U.S.C. § 1125(d), that many firms value having a domain name or Web address that signals their product. (The "cybersquatters" were individuals or firms that would register domain names for the purpose of selling them to companies that wanted a domain name that would be the name of their company or of their principal product.) After all, many consumers search by typing the name of a company in the Web address space (browser) on their home page rather than by use of a search engine. We do not think that by virtue of trademark law producers own their aftermarkets and can impede sellers in the aftermarket from marketing the trademarked product. In this respect the case parallels our most recent decision dealing with Ty's intellectual property, in which we found that Ty was attempting to control the market in collectors' guides to Beanie Babies by an overly expansive interpretation of its copyrights. *Ty, Inc. v. Publications Int'l Ltd.*, 292 F.3d 512 (7th Cir. 2002).

We surmise that what Ty is seeking in this case is an extension of antidilution law to forbid commercial uses that accelerate the transition from trademarks (brand names) to generic names (product names). Words such as "thermos," "yo-yo," "escalator," "cellophane," and "brassiere" started life as trademarks, but eventually lost their significance as source identifiers and became the popular names of the product rather than the name of the trademark owner's brand, and

when that happened continued enforcement of the trademark would simply have undermined competition with the brand by making it difficult for competitors to indicate that they were selling the same product—by rendering them in effect speechless. Ty is doubtless cognizant of a similar and quite real danger to "Beanie Babies" and "Beanies." Notice that the illustrations we gave of trademarks that became generic names are all descriptive or at least suggestive of the product, which makes them better candidates for genericness than a fanciful trademark such as "Kodak" or "Exxon." Ty's trademarks likewise are descriptive of the product they denote; its argument that "Beanies" is "inherently distinctive" (like Kodak and Exxon), and therefore protected by trademark law without proof of secondary meaning, is nonsense. A trademark that describes a basic element of the product, as "Beanies" does, is not protected unless the owner can establish that the consuming public accepts the word as the designation of a brand of the product (that it has acquired, as the cases say, secondary meaning). *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 769 (1992); *Platinum Home Mortgage Corp. v. Platinum Financial Group, Inc.*, 149 F.3d 722, 727 (7th Cir. 1998). As the public does with regard to "Beanies"—for now. But because the word is catchier than "beanbag stuffed animals," "beanbag toys," or "plush toys," it may someday "catch on" to the point where the mark becomes generic, and then Ty will have to cast about for a different trademark.

Although there is a social cost when a mark becomes generic—the trademark owner has to invest in a new trademark to identify his brand—there is also a social benefit, namely an addition to ordinary language. A non-trivial

number of words in common use began life as trademarks. See, e.g., Shawn M. Clankie, "Brand Name Use in Creative Writing: Genericide or Language Right?" in *Perspectives on Plagiarism and Intellectual Property in a Postmodern World* 253 (Lisa Buranen and Alice M. Roy eds.1999); Monroe Friedman, "The Changing Language of a Consumer Society: Brand Name Usage in Popular American Novels in the Postwar Era," 11 *Journal of Consumer Research* 927 (1985). An interpretation of antidilution law as arming trademark owners to enjoin uses of their mark that, while not confusing, threaten to render the mark generic may therefore not be in the public interest. Moreover, the vistas of litigation that such a theory of dilution opens up are staggering. Ty's counsel at argument refused to disclaim a right to sue the publishers of dictionaries should they include an entry for "beanie," lowercased and defined as a beanbag stuffed animal, thus accelerating the transition from trademark to generic term. He should have disclaimed such a right. See *Illinois High School Ass'n v. GTE Vantage Inc.*, 99 F.3d 244, 246 (7th Cir. 1996); 2 *McCarthy on Trademarks and Unfair Competition*, *supra*, § 12:28, pp. 12-79 to 12-81.

We reject the extension of antidilution law that Ty beckons us to adopt, but having done so we must come back to the skipped issue of confusion. For although 80 percent of Perryman's sales are of Ty's products, this means that 20 percent are not, and on her Web page after listing the various Ty products under such names as "Beanie Babies" and "Teenie Beanies" she has the caption "Other Beanies" and under that is a list of products such as "Planet Plush" and "Rothschild Bears" that are not manufactured by Ty. This is plain misdescription, in fact false advertising, and

supports the last prohibition in the injunction, the prohibition against using "Beanie" or "Beanies" "in connection with any non-Ty products." That much of the injunction should stand. But Ty has not demonstrated any basis for enjoining Perryman from using the terms in "any business name, Internet domain name, or trademark."

We can imagine an argument that merely deleting "Other Beanies" is not enough; that if the other beanbag stuffed animals look much like Ty's, consumers might assume they are "Beanies," or if not, that they still might associate "Beanies" with these other animals, causing the term to lose its distinctness as the name of Ty's products. But we do not understand Ty to be seeking a broadening of the injunction to require a disclaimer as to the source of the non-Ty products sold by Perryman. This however is a matter that can be pursued further on remand.

So the judgment must be vacated and the case remanded for the formulation of a proper injunction. But is more open on remand? The judge merely granted summary judgment for Ty, and we are merely reversing (in part) that ruling. Ordinarily this would mean that Ty would have a shot at a trial in which it might try to convince the judge (as there is no jury in trademark cases) that its rights under antidilution law really were violated. But this case is unusual because, given Perryman's status as a seller in the secondary market created as a result of Ty's marketing strategy, we cannot imagine a state of facts consistent with the extensive record compiled in the summary judgment proceeding that could possibly justify an injunction against Perryman's representing in her business name and Internet and Web addresses that

she is doing what she has a perfect right to do, namely sell Beanie Babies. We therefore direct that the proceedings on remand be limited to the reformulation of the injunction in conformity with this opinion.

VACATED AND REMANDED
WITH INSTRUCTIONS.

A true Copy:
Teste:

Clerk of the United States Court of Appeals for the Seventh Circuit

APPENDIX B — MEMORANDUM OPINION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED OCTOBER 10, 2001

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

No. 99 C 8190

TY INC.,

Plaintiff,

v.

RUTH PERRYMAN,

Defendant.

MEMORANDUM OPINION

Before the court is the defendant's motion for clarification and to alter or amend summary judgment on Count III of the plaintiff's complaint, which we entered on July 17, 2001. For the reasons explained below, we grant the motion for clarification and deny the motion to alter or amend judgment.

BACKGROUND

The facts of this case were described in our earlier opinion, and are as follows:

> The plaintiff, Ty Inc. ("Ty"), manufactures and sells plush bean bag toys marketed as

BEANIE BABIES, and variations of the BEANIE BABIES, including Teenie Beanie Babies, Beanie Buddies, Beanie Kids, E-Beanies, Pillow Pals, and Attic Treasures. The defendant, Ruth Perryman, is a second-hand dealer in bean bag toys, including Ty's BEANIE BABIES, which she sells over the Internet. Ty brought this action to stop Perryman from using the term "beanies" as a component of her business name, Bargain Beanies, and her Internet domain name, Bargainbeanies.com.

Ty first began selling its line of plush bean bag toys in 1993, when it introduced the BEANIE BABIES. Plaintiff's Statement of Undisputed Facts ("Pl.'s Facts), ¶ 6. The BEANIE BABIES are shaped like animals, and a heart-shaped swing tag attached to each toy states, among other things, the name of the BEANIE BABY, its "date of birth," and includes a short poem. Ty sells BEANIE BABIES at a price of five to seven dollars apiece. Ty experienced a great deal of success in the market with the BEANIE BABIES and introduced a second line of products, Teenie Beanie Babies, in April of 1997. *Id.* at ¶ 10.

In 1998 and thereafter, Ty introduced three more lines of toys which include the word "Beanie" as a component of the name: Beanie Buddies, Beanie Kids, and E-Beanies. *Id.* at ¶¶ 13-15. The E-Beanies are sold through Ty's licensee, Ty Trade, on its web site, TyTrade.com. *Id.* at ¶ 15. Ty also sells other products, such as swing tag protectors, product display cases, calendars, collectors cards, and

collectors card binders, all of which display some variation of the name "Beanie" in the packaging, on the product, or in the product description. *Id.* at ¶ 16, and exs. 27, 28, 29. Apart from the collectors cards, which were introduced in 1998, it is unclear when the other products were introduced. In 1998, Ty also introduced The Beanie Babies Official Club kit. *Id.* at ¶¶ 16 and 18. Ty has obtained several trademark registrations, including BEANIE BABIES, THE BEANIE BABIES COLLECTION, TY BEANIE BABIES OFFICIAL CLUB ORIGINAL BEANIE BABY, and THE BEANIE BUDDIES COLLECTION. *Id.* at ¶ 29.

Perryman established her Bargain Beanies business in November and December of 1997. Def's Statement of Undisputed Facts ("Def.'s Facts"),¶ 1. She registered the Bargainbeanies.com Internet domain name and obtained a Seller's Permit from the California State Board of Equalization in December of 1997. *Id.* and Def.'s exs. 4 and 5. According to Perryman, she began her business because she became aware of consumer demand for BEANIE BABIES. *Id.* at ¶ 6. She distinguishes her business from Ty's in a number of ways: she is a second-hand dealer in BEANIE BABIES and sells Ty products only on the secondary market, *id.* at ¶ 23, 65; she sells BEANIE BABIES that have been "retired" (i.e. no longer manufactured), *id.* at ¶ 66; she sells other toys that Ty does not manufacture; and she charges as little as four

> dollars and as much as one hundred dollars apiece. *Id.* at ¶ 69. Although she is not currently running the web site, she intends to start it again.
>
> Ty first complained to Perryman about her use of the name Bargain Beanies and Bargain-beanies.com in November of 1999. Ty filed this lawsuit in December of 1999 alleging trademark infringement, unfair competition, and trademark dilution under the Lanham Act, 15 U.S.C. §§ 1114, 1125(a) and (c), and state law claims for deceptive trade practices under the Illinois Consumer Fraud and Deceptive Business Practices Act and the Illinois Uniform Deceptive Trade Practices Act.

Ty v. Perryman, No. 99 C 8190, 2001 WL 826893 at *1-2 (N.D. Ill. July 17, 2001). The parties made cross motions for summary judgment on all claims, and on July 17, 2001, we issued a ruling denying the defendant's motion for summary judgment on all claims, and denying the plaintiff's motion for summary judgment on Counts I, II, and IV. *Id.* However, finding that Ty has a protectible interest in the term "beanies," we granted the plaintiff's motion for summary judgment on its claim of trademark dilution (Count III).

The defendant now moves for a clarification of our summary judgment order. She notes that in granting summary judgment on Ty's trademark dilution claim, we highlighted the defendant's use of the term "beanies" to refer to non-Ty products on a particular page of her website. Defendant requests that we clarify our order to state whether her use of the domain name "bargainbeanies.com" or the business name

"Bargain Beanies" also dilutes Ty's trademark. In the event we answer in the affirmative, the defendant moves to alter or amend judgment.

ANALYSIS

We grant the defendant's motion for clarification. In our order granting summary judgment to Ty for trademark dilution, we held that "Ty has met its burden of showing that the defendant's use of the term 'beanies' dilutes its protectable marks." *Id.* at *14. Our holding was not limited to the particular page of defendant's website using the term "beanies" to refer to third party products. The defendant's use of the mark "beanies" in the name "Bargain Beanies" and "bargainbeanies.com" also has the effect of diluting Ty's trademark.

The defendant also moves pursuant to Federal Rule of Civil Procedure 59(e) to alter or amend judgment. The defendant notes that to prevail on a claim of trademark dilution, the court must find, among other things, that the trademark was famous and that it was similar to the defendant's mark. The defendant argues that it was improper to grant summary judgment on this claim because there was insufficient evidence that Ty's "beanies" mark was famous by December of 1997. In addition, the defendant argues that this court was incorrect to conclude that she conceded her marks are similar to Ty's "beanies" mark. Finally, she argues that the plaintiff failed to address her laches defense and this precludes summary judgment.

Appendix B

I. *Fame of the "Beanies" Mark*

Defendant argues that there was insufficient evidence to find that Ty's "beanies" mark was famous by December of 1997. She argues that this court considered post-1998 evidence from other cases involving Ty to determine the "beanies" mark was famous, and gave short shrift to the evidence she presented.

This court did not adopt the findings of fact made in other cases involving Ty products. The analysis of whether Ty's "beanies" mark was famous by 1998 is somewhat similar to the question of whether it had attained secondary meaning. Our analysis on both of these issues was limited exclusively to the evidence presented by the parties. We explicitly refused to consider any post-1998 evidence. *See id.* at 11-13. Defendant cannot point to a single instance where we considered post-1998 evidence in determining the question of secondary meaning or fame. We did not even cite any other cases involving Ty in these sections of our opinion.

It is true that in other sections of our opinion, where the fame of the "beanies" mark was *not* at issue, we cited other cases involving Ty. To the extent these cases reviewed some of the same evidence presented here, their legal analyses of that evidence was helpful or lent support to our position. For example, we cited a case involving the question of whether the term "beanies" was a generic term, which quoted a dictionary definition identical to the one we discussed. *Id.* at *10 (citing *Ty, Inc. v. The Jones Group,* 98 F. Supp. 2d 988 (N.D. Ill. 2000)). We cited the *plaintiff's* evidence of newspaper articles to support the conclusion that in 1996

and 1997 the media used the word "beanies" to refer to Ty products rather than bean bag toys generically. *Id.* Although we included a citation to another case involving Ty, we specifically noted that it reviewed only *some* of the same evidence presented in this case and was presented in a different procedural posture. *See id.* (citing *Ty, Inc. v. Softbelly's Inc.*, No. 00 C 5230, 2001 WL 125321 (N.D. Ill. Feb. 9, 2001)). At no time did we adopt the factual findings of another court to determine an issue involved in this case.[1]

As to the defendant's argument that we erred in finding that "beanies" was famous by December of 1997, we decline to reconsider our ruling. Our Memorandum Opinion discussed at length and in detail the evidence submitted by both parties. Defendant fails to establish any manifest errors of law or fact nor does she present any newly discovered evidence. *See Federal Deposit Ins. Corp. v. Meyer,* 781 F.2d 1260, 1268 (7th Cir. 1986) (stating that motions to alter or amend a judgment "must clearly establish either a manifest error of law or fact or must present newly discovered evidence" and that "[t]hese motions cannot be used to raise arguments which could, and should, have been made before the judgment issued.").

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1. The defendant also argues that we adopted the findings of other courts which considered "beanies" the salient portion of Ty's BEANIE BABIES mark, and that this "logically influenced the 'famous' issue." Defendant's Memorandum, at 2. This argument is almost frivolous. It is true that we discussed other Ty cases in our likelihood of confusion analysis, but we did not adopt their conclusions, and we specifically considered "the marks as a whole and as actually used." *Perryman,* 2001 WL 826893 at *4-5. Moreover, defendant does not explain how this element of the likelihood of confusion analysis has any bearing on the question of fame.

Appendix B

Defendant's motion to alter or amend judgment on the issue of whether "beanies" had attained famous status by 1998 is denied.

II. ***Similarity of "Beanies" Mark to "Bargain Beanies"***

In our Memorandum Opinion we stated:

> To the extent the plaintiff claims dilution of its BEANIE BABIES mark, we agree with the defendant that there is a genuine factual question as to whether that mark is sufficiently similar to "bargainbeanies.com." The defendant does not make the same argument regarding the "beanies" mark, but rather reverts to her position that "beanies" is a generic term not entitled to trademark status. We disagree, and in view of defendant's apparent concession on this issue, find that the two are similar.

Perryman, 2001 WL at 826893 at *14 (internal citations omitted). The defendant argues that she did not concede the similarity of the two names.

The defendant's summary judgment briefs contain no argument that Ty's "beanies" mark is dissimilar to her "bargainbeanies.com" or "Bargain Beanies" marks. Even though the plaintiff specifically compared the "beanies" mark against the defendant's marks in its summary judgment brief, the defendant made no effort to compare the two. *See* Ty's Memorandum in Support of Its Cross- Motion for Summary Judgment, at 6-7. Instead, the sections of defendant's brief

discussing similarity of marks state either that "beanies" is not entitled to trademark protection in the first instance or that the "beanies" component of Ty's registered marks should not "be singled out." If the defendant did not deliberately concede this point by failing to argue it, she certainly waived it. *See Turner v. Chicago Housing Authority,* 760 F. Supp. 1299, 1310 (N.D. Ill. 1991) (dismissing count of plaintiffs' complaint because they failed to address defendant's argument, although they did not expressly concede the point).

We will clarify one point. In our analysis of the plaintiff's trademark infringement claim, we undertook the "likelihood of confusion" analysis, in which we compared the similarity of the plaintiff's registered marks, BEANIE BABIES or THE BEANIE BABIES COLLECTION, against Perryman's marks. We noted that because "bargain" is an element of Perryman's marks and that word connotes a different type of business than Ty is known to conduct, the marks were not sufficiently similar to conclude that confusion was likely. *Perryman,* 2001 WL 826893 at *5. The same analysis does not apply in a trademark dilution claim where the defendant uses the whole of the plaintiff's mark, here "beanies," in the defendant's domain and business names. *See PACCAR, Inc. v. Telescan Technologies, L.L.C.,* 115 F. Supp.2d 772, 779 (E.D. Mich. 2000) (stating that likelihood of confusion is not a necessary element of trademark dilution, and holding that use of plaintiff's trademarks (i.e. "kenworth") as an element of defendant's domain names (i.e. "kenworthusedtrucks.com") constituted trademark dilution). This is so because defendant's use of Ty's "beanies" mark in her domain name could cause consumers to identify it with "an unimaginable variety of products" appearing on her web site. *Perryman,* 2001 WL

826893 at *14; *see also PACCAR,* 115 F. Supp.2d at 780 (noting that plaintiff was at defendant's mercy because plaintiff had no influence or control over what appeared on defendant's web sites).

The defendant's failure to argue the similarity of Ty's "beanies" mark to her own marks was tantamount to a concession, with no practical difference. We reaffirm our holding that defendant's use of "bargainbeanies.com" and "Bargain Beanies" dilutes the plaintiff's "beanies" trademark.

III. *Laches Defense*

Finally, the defendant argues that summary judgment should not have been granted on Count III because the plaintiff failed to overcome her laches defense. We disagree. "Where the nonmoving party fails to make a showing sufficient to establish the existence of an essential element on which he would bear the burden of proof at trial, summary judgment should be entered against him." *Fitzpatrick v. Catholic Bishop of Chicago,* 916 F.2d 1254, 1256 (7th Cir. 1990) (citing *Celotex Corp. v. Catrett,* 477 U.S. 317 (1986)). The defendant bears the burden of proof on the affirmative defense of laches. *Central States Southeast and Southwest Areas Pension Fund v. Heineman Distributing,* No. 93 C 1246, 1994 WL 496730, *3 (N.D. Ill. Sept. 9, 1994) (granting partial summary judgment to the plaintiff where the defendant failed to prove its laches defense). In *Logan v. Commercial Union Ins. Co,* 96 F.3d 971, 979 (7th Cir. 1996), however, the Seventh Circuit clarified that while the movant is not required to *disprove* the nonmovant's defense, it must "demonstrate[ ]

that the nonmovant will be unable to produce any evidence at trial supporting an essential element of a claim for which the nonmovant bears the burden of proof ."

Here, however, the defendant forfeited this argument by failing to raise it either in her response to the plaintiff's motion for summary judgment or in her own motion for summary judgment. *See id.* (noting that plaintiff forfeited his argument by failing to raise it in his response to the motion for summary judgment). This court undertook an extremely time-consuming review of the parties' briefs and evidence presented, all of which amounted to a mountain of paperwork. It strikes us as unreasonable for the defendant to remain mute on the question of her affirmative defense, wait for judgment, and only after receiving an unfavorable ruling argue that her affirmative defense precludes summary judgment. *See e.g., Bank Leumi Le-Israel, B.M. v. Lee,* 928 F.2d 232, 235 (7th Cir. 1991) ("A trial judge may properly depend upon counsel to apprise him of the issues for decision. He is not obligated to conduct a search for other issues which may lurk in the pleadings.").

Because the defendant could have, but did not, raise the laches defense in the cross motions for summary judgment, we find that she has waived it for purposes of the trademark dilution claim. *See Federal Deposit Ins. Corp.,* 781 F.2d at 1268.

Appendix B

CONCLUSION

The defendant's motion for clarification is granted, as reflected above. The defendant's motion to alter or amend judgment is denied.

Date: October 10, 2001

ENTER: s/ John F. Grady
John F. Grady, United States District Judge

APPENDIX C — MEMORANDUM OPINION OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED JULY 17, 2001

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS EASTERN DIVISION

No. 99 C 8190

TY INC.,

Plaintiff,

v.

RUTH PERRYMAN,

Defendant.

MEMORANDUM OPINION

Before the court are the parties' cross-motions for summary judgment on all counts. For the reasons set forth below, the defendant's motion is denied as to all counts, and the plaintiff's motion is denied as to counts I, II, and IV, but granted as to count III.

BACKGROUND

The plaintiff, Ty Inc. ("Ty"), manufactures and sells plush bean bag toys marketed as BEANIE BABIES, and variations of the BEANIE BABIES, including Teenie Beanie Babies, Beanie Buddies, Beanie Kids, E-Beanies, Pillow Pals, and

Attic Treasures. The defendant, Ruth Perryman, is a second-hand dealer in bean bag toys, including Ty's BEANIE BABIES, which she sells over the Internet. Ty brought this action to stop the Perryman from using the term "beanies" as a component of her business name, Bargain Beanies, and her Internet domain name, Bargainbeanies.com.

Ty first began selling its line of plush bean bag toys in 1993, when it introduced the BEANIE BABIES. Plaintiff's Statement of Undisputed Facts ("Pl.'s Facts), ¶ 6.[1] The BEANIE BABIES are shaped like animals, and a heart-shaped swing tag attached to each toy states, among other things, the name of the BEANIE BABY, its "date of birth," and includes a short poem. Ty sells BEANIE BABIES at a price of five to seven dollars apiece. Ty experienced a great deal of success in the market with the BEANIE BABIES and introduced a second line of products, Teenie Beanie Babies, in April of 1997. *Id.* at ¶ 10.

In 1998 and thereafter, Ty introduced three more lines of toys which include the word "Beanie" as a component of the name: Beanie Buddies, Beanie Kids, and E-Beanies. *Id.* at ¶¶ 13-15. The E-Beanies are sold through Ty's licensee, Ty Trade, on its web site, TyTrade.com. *Id.* at ¶ 15. Ty also sells other products, such as swing tag protectors, product display cases, calendars, collectors cards, and collectors card binders, all of which display some variation of the name

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1. Perryman responds selectively to Ty's statement of facts, usually restricting her comments to areas in which she disagrees with Ty. To the extent she does not specifically deny or disagree with a factual assertion made by Ty, we consider that she is admitting the fact. *See* Local Rule 56.1(b)(3)(B).

"Beanie" in the packaging, on the product, or in the product description. *Id.* at ¶ 16, and exs. 27, 28, 29. Apart from the collectors cards, which were introduced in 1998, it is unclear when the other products were introduced. In 1998, Ty also introduced The Beanie Babies Official Club kit. *Id.* at ¶¶ 16 and 18. Ty has obtained several trademark registrations, including BEANIE BABIES, THE BEANIE BABIES COLLECTION, TY BEANIE BABIES OFFICIAL CLUB ORIGINAL BEANIE BABY, and THE BEANIE BUDDIES COLLECTION. *Id.* at ¶ 29.

Perryman established her Bargain Beanies business in November and December of 1997. Def's Statement of Undisputed Facts ("Def.'s Facts"), ¶ 1.[2] She registered the Bargainbeanies.com Internet domain name and obtained a Seller's Permit from the California State Board of Equalization in December of 1997. *Id.* and Def.'s exs. 4 and 5. According to Perryman, she began her business because she became aware of consumer demand for BEANIE BABIES. *Id.* at ¶ 6. She distinguishes her business from Ty's in a number of ways: she is a second-hand dealer in BEANIE BABIES and sells Ty products only on the secondary market, *id.* at ¶ 23, 65; she sells BEANIE BABIES that have been "retired" (i.e. no longer manufactured), *id.* at ¶ 66; she sells other toys that Ty does not manufacture;

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2. Ty does not deny this fact, but states that Perryman has not provided documentary evidence that she actually conducted business under the Bargain Beanies name in 1997. Pl.'s Response to Def's Facts, ¶ 1. Perryman did provide evidence in the form of her affidavit (¶ 16), and also attached as an exhibit copies of post office receipts for shipping her inventory to purchasers. *See* Perryman Decl., ¶ 23; Def.'s ex. 7.

and she charges as little as four dollars and as much as one hundred dollars apiece. *Id.* at ¶ 69. Although she is not currently running the web site, she intends to start it again.

Ty first complained to Perryman about her use of the name Bargain Beanies and Bargainbeanies.com in November of 1999. Ty filed this lawsuit in December of 1999 alleging trademark infringement, unfair competition, and trademark dilution under the Lanham Act, 15 U.S.C. §§ 1114, 1125(a) and (c), and state law claims for deceptive trade practices under the Illinois Consumer Fraud and Deceptive Business Practices Act and the Illinois Uniform Deceptive Trade Practices Act.

Ty argues that Perryman is attempting to leverage the goodwill it has established for its BEANIE BABIES and related products. According to Ty, the defendant's use of the mark Bargain Beanies confuses and deceives consumers into believing "that Defendant's business is associated with or licensed by Ty, or that the products sold by Defendants all originate with Ty."

The defendant insists, however, that the term "beanies" is nothing more than a generic term meaning bean bag toys generally. Therefore, defendant's use of the term "beanies" cannot constitute trademark infringement. In the alternative, she argues that the term "beanies" is a descriptive term for which Ty had not established secondary meaning by December of 1997. She further argues that there is no likelihood of reasonable consumers confusing her business with Ty's.

The parties have filed cross-motions for summary judgment.

Appendix C

ANALYSIS

Summary judgment "shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). We construe the evidence and all inferences that reasonably can be drawn therefrom in the light most favorable to the nonmoving party, *see Pitasi v. Gartner Group, Inc.*, 184 F.3d 709, 714 (7th Cir. 1999), but we will enter summary judgment against a party who does not "come forward with evidence that would reasonably permit the finder of fact to find in [its] favor on a material question." *McGrath v. Gillis*, 44 F.3d 567, 569 (7th Cir. 1995).

We note that this is not the first case Ty has brought to enforce its asserted trademark rights. *See e.g., Ty, Inc. v. Jones Group, Inc.*, 98 F. Supp.2d 988 (N.D. Ill. 2000), *aff'd*, 237 F.3d 891 (7th Cir. 2001) (affirming grant of preliminary injunction in favor of Ty); *Ty, Inc. v. Softbelly's Inc.*, No. 00 C 5230, 2001 WL 125321 (N.D. Ill. February 9, 2001) (granting Ty a preliminary injunction); *Ty, Inc. v. Publications Int'l, Ltd.*, No. 99 C 5565, 2000 WL 1499449 (N.D. Ill. Oct. 6, 2000) (declining to grant summary judgment for Ty). Two of these cases were presented in a different procedural posture than this case, but all are helpful insofar as they review some of the evidence and legal principles at issue here. Of particular help is the *Publications International* case, which sets the stage for some of the issues presented here:

> The consumer frenzy over Beanie Babies can be attributed in part to Ty's unique marketing strategy.

Appendix C

> Ty creates scarcity in the market by selling its products only to small retail stores, and then only in small quantities. In addition, Ty periodically retires different Beanie Babies, taking them out of circulation and thus boosting their market value among collectors. Ty's marketing plan emphasizes the collectible nature of its products, and collectors are constantly on the lookout for new Beanie Babies.
>
> A thriving secondary Beanie Babies collector's market has emerged. Beanie Baby enthusiasts trade and sell Ty's products over the Internet, at yard sales, through classified ads, and through collectors' clubs. There have been hundreds—perhaps thousands—of newspaper articles and television news stories discussing the market for Beanie Babies, as well as a proliferation of Beanie-related web sites. Beanie Babies are not the exclusive province of child collectors. Ty's toys are sought after by potential investors who hope to capitalize on the sale of "rare" Babies, some of which fetch thousands of dollars at collectors' auctions.

Publications Int'l, Ltd., 2000 WL 1499449 at *1; *see also* Pl.'s exs. 11, 19, 55, 56, 57, 63, & 65 (numerous newspaper articles reporting on the BEANIE BABIES phenomenon, collectors of Ty products, and the secondary markets for these toys). With this background in mind, we turn to consideration of the parties' cross-motions for summary judgment.

Appendix C

I. Trademark Infringement, Unfair Competition, and Deceptive *Trade Practices*

In order to prevail on a claim of trademark infringement and unfair competition, the plaintiff may assert a registered trademark under 15 U.S.C. § 1114, or prove that it has a protectable unregistered trademark under 15 U.S.C. § 1125(a). Whether the plaintiff claims infringement of a federally registered trademark under § 1114, or an unregistered trademark under § 1125, the question of infringement is governed by the "likelihood of confusion" test. *AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 615 (7th Cir. 1993); *S Indust., Inc. v. Diamond Multimedia Systems, Inc.*, 991 F. Supp. 1012, 1017 (N.D. Ill. 1998) (noting also that "[s]ection 1125(a) of the Lanham Act prohibits a broader range of practices than does § 1114 which applies only to registered marks.").

The two claims must be analyzed separately where, as in this case, the plaintiff's claims of infringement and unfair competition stem from both registered and unregistered marks.

A. *Plaintiff's claim of infringement of a registered mark under § 1114*

Ty has not registered the mark "Beanies." By December of 1997, the only marks Ty had registered which included the word "beanie" were BEANIE BABIES and THE BEANIE BABIES COLLECTION. The question presented is whether the defendant infringed the trademarks BEANIE BABIES or THE BEANIE BABIES COLLECTION by using the names Bargain Beanies or Bargainbeanies.com.

Appendix C

Under § 1114, a trademark is protected against infringement by "colorable imitation[s]" of the mark which are "likely to cause confusion, or to cause mistake or to deceive" consumers as to the source of origin of the goods. *Lippo v. Mobil Oil Corp.*, 776 F.2d 706, 719 n. 20 (7th Cir. 1985); *Hormel Food Corp. v. Jim Henson Production, Inc.*, 73 F.3d 497, 502 (2nd Cir. 1996) (affirming denial of injunctive relief to plaintiff who claimed that its trademark SPAM was infringed by producer's creation of a puppet named "Spa'am"). Questions of likelihood of confusion involve all fact and no law, *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1428 (7th Cir. 1985), and these questions are usually reserved for the jury. *Nike, Inc. v. Just Did It Enterprises*, 6 F.3d 1225, 1233 (7th Cir. 1993) ("Whether customers would confuse MIKE and the swoosh design as affiliated with NIKE is a question of fact over which reasonable minds may differ.") Consequently, courts approach motions for summary judgment on this issue with great caution. *AHP Subsidiary Holding Co.*, 1 F.3d at 616.

This is not a case comparing two *products* bearing similar trademarks which could create a likelihood that sales would be diverted to the plaintiff's competitor. *Cf. Jones Group, Inc.*, 237 F.3d 891 (comparing BEANIE BABIES to Beanie Racers); *Softbelly's Inc.*, 2001 WL 125321 (comparing BEANIE BABIES to Screenie Beanies). But trademark infringement is not limited to such cases; we must consider whether consumers would believe that the defendant's *business* is "in some way related to, or connected or affiliated with, or sponsored by" the plaintiff. *Nike, Inc.*, 6 F.3d at 1228.

Appendix C

The Seventh Circuit considers seven factors in evaluating likelihood of confusion: (1) the similarity of the marks in appearance and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of the plaintiff's mark; (6) whether any actual confusion exists; and (7) the defendant's intent to palm off its goods as those of the plaintiff. *Jones Group, Inc.*, 237 F.3d at 897. None of the seven factors is dispositive in itself. *See AHP Subsidiary Holding Co.*, 1 F.3d at 616.

1. *Similarity of the marks*

The obvious similarity between the plaintiff's BEANIE BABIES and THE BEANIE BABIES COLLECTION marks and the defendant's "Bargain Beanies" mark is the use of the word "beanie(s)." It is this word that the plaintiff wishes to emphasize and the defendant tends to de-emphasize.

The plaintiff argues that "[i]f one word or feature of a composite trademark is the salient portion of the mark, it may be given greater weight than the surrounding elements." *The Jones Group, Inc.*, 237 F.3d at 898 (citing *Henri's Food Prods. Co., Inc. v. Kraft, Inc.*, 717 F.2d 352, 356 (7th Cir. 1983)). We find unconvincing Perryman's argument that the term "beanies" is generic, *see infra* I.B.1.a, and therefore, not entitled to extra consideration. In a case comparing the BEANIE BABIES mark to "Screenie Beanies," Judge Norgle observed that "[e]ven though Softbelly's mark makes use of the term 'screenie' in conjunction with 'beanies,' it is still 'beanies' which the mark trades on." *Softbelly's Inc.*, 2001 WL 125321, at *5. Comparing THE BEANIE BABY

COLLECTION to "Beanie Racers," another court observed that "[t]he word 'Beanie' is a well-known and famous part of the Ty mark, rendering it the more salient portion of the mark and therefore deserving greater weight than the surrounding elements." *The Jones Group, Inc.*, 237 F.3d at 899. These cases, however, were not decided on motions for summary judgment, but motions for preliminary injunctions, in which the plaintiff bore the less onerous burden of showing a better than negligible chance of prevailing on the merits.

Even though the word "beanies" is an important element of the marks in question, we are still bound to compare the marks as a whole and as actually used. *See Scandia Down Corp.*, 772 F.2d at 1431. The word "bargain" preceding "beanies" is significant. It connotes a negotiation where the purchaser agrees to pay a different price for the item than he would have paid had he bought it from the original seller. Indeed, that is the defendant's business — to sell these toys on the second-hand market.[3]

> [A]s the differences separating the [defendants' domain] names from the plaintiff's mark become more noticeable, the similarities are likely to appear to consumers as more reflective of the fact that both are being used to designate something having to do with [the same business] rather than indicating a common source.

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3. For example, in December of 1998, the defendant offered for sale three 1997 Teenie Beanies of the same model, Patti the Platypus. The price varied, depending on the condition of the tag. The toy with a mint tag cost $18.75; creased tag, $15.50; no tag, $12.50. Pl.'s ex. 107 (bargainbeanies.com web site).

Appendix C

Trans Union LLC v. Credit Research, Inc., __ F. Supp. 2d __, 2001 WL 303688 (N.D. Ill. March 26, 2001) (quoting from *TCPIP Holding Co., Inc. v. Haar Communications, Inc.*, 244 F.3d 88, 101-02 (2nd Cir. 2001)). Words like "screenie" or "racers" seem to signify types of BEANIE BABIES which resemble Ty's own variations: "Teenie Beanies" or "Beanie Buddies." These marks do not imply that the products are unrelated to Ty. The word "bargain," on the other hand, may suggest a different sort of business than Ty is known to conduct.

In addition, the defendant displayed a disclaimer on her web site stating "Bargain Beanies is neither endorsed by nor affiliated with Ty, Inc., trademark holder of Beanie Babies." Pl.'s ex. 107. This tends to support the defendant's position that her mark is not confusing. Judge Zagel has made the following observation about disclaimers in the context of the second-hand market for BEANIE BABIES, which we believe applies with equal force in this case:

> The instant case involves a trademark owner whose products have achieved a unique status among many members of the public. There is a thriving market for second-hand Beanie Babies. Many participants in this market buy and sell Ty's products in non-traditional arenas such as at yard sales, through collectors' clubs, and over the Internet. Of course, it would be unreasonable to deny trademark protection to a manufacturer just because it had the "good fortune to have created a trade name . . . that became valued by the consuming public." *W.T. Rogers Co. v. Keene*,

> 778 F.2d 334, 340 (7th Cir. 1985). The fact remains, however, that in the specific context of the market for Beanie Babies, a consumer may be less likely to think that any one publication about Beanie Babies emanates from, or is endorsed by Ty. A disclaimer may have more effect in these particular circumstances.

Publications Int'l, Ltd., 2000 WL 1499449, at *12 (declining to grant summary judgment for Ty).

Taking all of these factors together, we believe that reasonable minds can differ as to whether the marks are sufficiently similar to create a likelihood of confusion.

2. *Similarity of the Products*

There is no product named "Bargain Beanies" to compare against BEANIE BABIES because "Bargain Beanies" is the name of a business. In identifying the appropriate comparison under these circumstances, we find instructive the case of *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486 (5th Cir. 1992). The plaintiff, Moore, manufactured business forms with the COMPURITE trademark. *Id.* at 488. The defendant began doing business about eleven years later under the name "CompuRite, Inc.," in which he sold, among other things, "a do-it-yourself version of Moore's product." *Id.* at 490. The court did not compare the business against the trademarked product; it compared the trademarked product against the product the defendant sold. *Id.* (affirming district court's judgment that there was a likelihood of confusion).

Appendix C

When the defendant began her business, the only toys she sold were Ty's BEANIE BABIES. Perryman Dep. at 64 (noting that she also sold tag protectors); Pl.'s ex. 106 at 6.[4] In 1998, she added other toys to her business, but about eighty-percent of her sales consisted of "Ty BEANIE BABIES, and Beanie Buddies, and Ty products." Perryman Dep., at 65, 74. The other products she sold were bean bag toys or bean bag toy-related products. Pl.'s ex. 106, at 6 (defendant's answer to interrogatories). Apart from the non-Ty products she sold, the defendant also sold some Ty bean bag toys that Ty itself does not sell, namely the "retired" BEANIE BABIES.

Confusion would be most likely in instances where the defendant sold BEANIE BABIES that Ty itself was also selling through its retail outlets. *See Trans Union, LLC*, __ F. Supp. 2d __, 2001 WL 303688 (noting that visitors to the defendant's web site would find that the products offered were similar, sometimes identical, to those offered by the plaintiff). *See also Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 463 (7th Cir. 2000) (concluding that the products need not be interchangeable, only similar).

On the other hand, it is not sufficient simply to conclude that because Perryman and Ty sell BEANIE BABIES,

4. The defendant makes an argument about the use of the word "plush" toys versus "bean bag" toys. We are unsure what to make of this distinction, in view of the fact that defendant stated she began selling Ty bean bag toys in 1997 in her answer to plaintiff's interrogatories, and also acknowledged that BEANIE BABIES were the only plush toy she sold when her business began. She has presented no evidence that she sold anything other than BEANIE BABIES and tag protectors when her business began.

confusion would probably occur. As noted earlier, there is a thriving and well-known second-hand market for BEANIE BABIES. The defendant sells Ty products only on the secondary market. Def.'s Fact, ¶ 65. To the extent the relevant class of customers and potential customers of BEANIE BABIES knows about this phenomenon, the likelihood that they believe Ty is affiliated with a second-hand dealer, especially of retired toys, is diminished. *See* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:5, at 23-17 (focusing on the confusion of members of the "relevant class of customers and potential customers"); *see also* Pl.'s exs. 11, 19, 55, 56, 57, 63, & 65 (articles reporting on the frenzy for collecting Ty's bean bag toys).

This element weighs in favor of the plaintiff, but there remains a genuine question of fact as to whether the similarity in the products creates a likelihood of confusion.

3. *The area and manner of concurrent use*

The concurrent use element focuses on the overlap of promotion, distribution, and sales of the products. Courts tend to focus on "the geographical area of distribution, whether there is evidence of direct competition between the relevant products, whether the products are sold in the same stores . . . whether the products are sold through the same 'marketing channels.' " *The Jones Group, Inc* ., 98 F. Supp. 2d at 999.

The defendant points out that at the time the defendant established her business, Ty did not sell BEANIE BABIES over the Internet and has never sold BEANIE BABIES on

the second-hand market. Ty argues that it has licensed TyTrade, Inc. to sell E-Beanies directly to consumers over the Internet, but admits that it does not sell BEANIE BABIES on the second-hand market.

According to the Eleventh Circuit, "[o]nce priority in the use of a mark for a particular class of goods or services has been established, the likelihood of confusion test is analyzed "as of the current time." *Carnival Brand Seafood Co. v. Carnival Brands, Inc.*, 187 F.3d 1307, 1311 n. 4 (11th Cir. 1999). The parties' concurrent use of the Internet is an important factor in Ty's favor. Once again, though, the two occupy very different places in the market, one catering to collectors interested in buying rare or retired BEANIE BABIES on the second-hand market, the other seeking to sell original BEANIE BABIES.

4. *Degree of Care Likely to be Exercised by Consumers*

Similar marks are more likely to confuse consumers as to source or sponsorship when less care is taken in purchasing a product. Arguably, consumers may exercise less care when purchasing low cost goods than when purchasing expensive goods.

The defendant argues that consumers will be more careful about buying her products because she charges as much as one hundred dollars for rare BEANIE BABIES and other Ty toys. Ty argues that its toys cost very little, selling for five to seven dollars, and "[t]he degree of care exercised by consumers will be minimal." Pl's Memo., at 8.

We view Ty's position with skepticism. In another case in which Ty was sued for trademark infringement, it argued that "BEANIE BABY customers are sophisticated about the product and will not be confused and will exercise care when purchasing." *See Imperial Toy Corp. v. Ty, Inc.*, 1998 WL 601875 at *4 (N.D. Ill. 1998) (manufacturer of bean bag lion, "Roary," sued after Ty produced a BEANIE BABY lion, which it also named "Roary"). Quite apart from having taken a contrary position on this issue in 1998, Ty itself submitted numerous newspapers articles reporting on the BEANIE BABIES phenomenon, many of which discussed the emerging second-hand market and the sophistication of even pre-adolescent children in purchasing more valuable BEANIE BABIES. *See* Pl.'s Exs. 11, 55-57, 63. While we do not consider these articles as evidence of the facts asserted therein, we consider them as evidence that information about BEANIE BABIES, including the secondary market and the reported value of rare or retired toys, was widely published in the mainstream media. *See Martin v. City of Indianapolis*, 192 F.3d 608, 613 (7th Cir. 1999).

On the whole, we believe consumers are likely to exercise care with respect to purchasing BEANIE BABIES, particularly those toys that are rare and carry a hefty price tag. *See Publications Int'l, Ltd.*, 2000 WL 1499449 at *13 (observing that collectors of BEANIE BABIES are "constantly concerned with the authenticity of their plush toys and identifying tags"). The more careful consumers are in making such purchases, the more likely they are to notice that the defendant's web site is not affiliated with Ty. *See id.* (determining that this element weighed in the defendant's favor because BEANIE BABIES collectors were more likely

to notice the absence of Ty's famous heart-shaped logo on the cover of defendant's collector's guides entitled "For the Love of Beanie Babies" and "The Beanie Babies Collector's Guide"). This element weighs slightly in favor of the defendant.

5. *The strength of the plaintiff's mark*

The plaintiff's BEANIE BABIES mark is clearly very strong. *Id.* It has been used since 1993 on its products, which have attained extraordinary fame. Pl.'s exs. 11, 19, 55-57, 63 & 65 (newspaper articles). This element weighs in Ty's favor.

6. *Evidence of actual confusion*

While actual confusion is not necessary to reach a finding that confusion is likely, *Eli Lilly*, 233 F.3d at 465, Ty argues that there is evidence that at least three consumers were confused and believed that the defendant was associated with Ty. Ty points to Perryman's deposition testimony, in which she stated that three customers became angry that her prices were higher than those of other BEANIE BABIES retailers. Pl.'s ex. 64 at 129.

It is not entirely clear, however, that the customers believed defendant was affiliated with Ty. Perryman testified that when customers complained about her prices, her response was to explain that she does not have a Ty account and therefore could not sell BEANIE BABIES for five dollars. Although it may be telling that Perryman felt the need to clarify her relationship with Ty in her response, this evidence

does not compel the conclusion that the customers believed she was affiliated with Ty.

7. The defendant's intent

There is no direct evidence that the defendant used the word "Beanies" in her business and domain names because she wanted to get a free ride on the goodwill Ty had established with the BEANIE BABIES mark. Ty's evidence on this point is that the defendant admitted in her deposition that she started Bargainbeanies.com because "it seem[ed] like an easier way to sell Beanie Babies and other plush toys." Pl.'s ex. 64 at 41. This statement is taken out of context. Perryman testified that she established the web site because it was easier than selling through e-mail or at shows. *Id.* She did not suggest that she invented the name Bargain Beanies because it would capture part of Ty's market.

As to circumstantial evidence, the plaintiff argues that because the six other factors favors it, the question of intent is easily resolved. As our discussion of the above elements demonstrates, we disagree.

The evidence on the likelihood of confusion is such that reasonable minds can differ. Therefore, it is inappropriate to grant summary judgment on Count I either to Ty or Perryman.

B. *Plaintiff's claim of unfair competition under § 1125(a)*

Section 1125 has been described as "the federal codification of traditional common law trademark rights." *S Industries*, 991 F. Supp. at 1017. In order to succeed in a

claim under § 1125(a), the plaintiff has to show that it has a prior, protectable trademark, and that the defendant's use of the mark is likely to cause confusion. *The Jones Group, Inc.*, 237 F.3d at 897.

1. *Protectable Trademark*

The parties hotly contest the issue of whether the term "beanies" is a mark that Ty is entitled to protect. We agree with the defendant that this court's analysis should be focused on the time period before she began her business in December of 1997. *See Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427, 433-34 (7th Cir. 1999); *S Industries*, 991 F. Supp. at 1018 ("It is axiomatic that the right to a distinctive mark belongs to the person who first continuously uses the mark to identify or distinguish goods or services in commerce."). The defendant argues that the term "beanies" is a generic term that is not entitled to trademark protection, or it is a descriptive term that had not attained secondary meaning by December of 1997. The plaintiff argues that it had established common law rights to the term "beanie(s)" through its continuous use of the word, and moreover, it became a well-known nickname for its BEANIE BABIES.[5] The burden is on Ty to show that "beanies" is entitled to protection under the Lanham Act. *Platinum Home Mortg. Corp. v. Platinum Fin. Group, Inc.*, 149 F.3d 722, 727 (7th Cir. 1998).

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5. Ty also argues that it owns the "Beanies" family of marks. It may, but Ty did not argue this point as to the relevant December 1997 time frame.

Appendix C

The first step in determining whether the term "beanie(s)" is entitled to protection is to place it in one of five categories of distinctiveness: (1) generic, (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful. *Mil-Mar Shoe Co., Inc. v. Shonac, Inc.*, 75 F.3d 1153, 1156-57 (7th Cir. 1996). Generic terms are words commonly used to name or designate a kind of good rather than a particular brand; for that reason, trademarking of generic terms is forbidden. *Door Sys., Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169, 171 (7th Cir. 1996). Descriptive terms are those which describe the ingredients, qualities, or characteristics of an article of trade, and are protected only if the term has achieved "secondary meaning" in the relevant market. *Mil-Mar Shoe Co., Inc.*, 75 F.3d at 1156-57. Suggestive, arbitrary, and fanciful marks are inherently distinctive, and entitled to full protection. *Id.*

a. *Generic term*

Whether "beanie(s)" is a generic term is a question of fact, but it may be resolved on a motion for summary judgment if the evidence is so one-sided that "there can be no doubt about how the question should be answered." *Door Sys., Inc.*, 83 F.3d at 171. Evidence of genericness may come from a number of sources, including consumer surveys, dictionaries, the media's use of the term, and competitors' use of the term. *See Softbelly's Inc.*, 2001 WL 125321, at *3. The burden is on the claimant to establish that the mark is not generic. *Mil-Mar Shoe Co.*, 75 F.3d at 1156.

If a word appears in the dictionary, "this would be powerful evidence that the term was generic, because nouns and other nominatives listed in dictionaries. . . . denote kinds

rather than specific entities." *Door Sys., Inc.*, 83 F.3d at 171. The word "beanies" appears in the dictionary, but has nothing to do with bean bags. According to Websters' Third New International Dictionary, a "beanie" is "1: a small round tight-fitting skullcap worn esp. by schoolboys and collegians 2: a woman's small round hat worn off the face." *See also The Jones Group*, 98 F. Supp. 2d at 994 (quoting an identical definition from Merriam Webster's Collegiate Dictionary (10th Ed. 1993)). Ty also introduces numerous newspaper articles from 1996 and 1997 which use the term "beanies" not to refer to bean bag toys generally, but to refer to BEANIE BABIES or Teenie Beanie Babies specifically. *See* Exs. 11, 19, 55-57, 63, 65; *see also Softbelly's Inc.*, 2001 WL 125321, at *3 (discussing some of the same evidence and determining that Ty had a better than negligible chance of proving that "beanies" is not generic).[6] Together, these factors are powerful evidence that the term "beanies" is not simply a generic term.

The defendant argues that the term "beanies" is simply an abbreviation of "bean bag" with a suffix attached, and that the plaintiff cannot escape a generic classification by its variant spelling. In support of this proposition, she cites *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990, 995-97 (7th Cir. 1979), and *National Conf. of Bar Examiners v. Multistate Legal Studies*, 692 F.2d 478, 488 (7th Cir. 1982). In *Miller Brewing Co .*, the court concluded that the word "light" is generic, and that it could not be appropriated simply by misspelling it "lite." In *Bar*

6. Ty also presents evidence of consumer surveys. However, these surveys apparently were taken in 1998, and therefore are not directly relevant to the inquiry here.

Examiners, the court stated that abbreviating the generic name "multistate bar examination" to "MBE" did not alter its generic quality. These cases are not apposite. "Beanies" does not sound enough like "bean bag" to be considered a misspelling of it; nor is "bean" a common abbreviation for "bean bag" in the way that an acronym is a common abbreviation of multiple-word names. Neither of these cases suggests that a generic term remains generic if it is abbreviated and a suffix is added to it.

Perryman further argues that "beanie(s)" has been used generically by the media, the plaintiff's competitors, and prior companies which have manufactured bean bag toys. As to media uses, the defendant produces selected pages of four magazines from 1998 or later entitled "Mary Beth's Beanie World Magazine," "Beanie Update Trader," and "Beanie Collector." Def.'s exs. 1-3, 46. This material is not particularly helpful in that all of the magazines feature photographs of Ty's BEANIE BABIES on the cover; only one includes other bean bag toys in the cover shot. *Id.* In fact, the publisher's note on page two of "Mary Beth's Beanie World Magazine" refers to "Ty Beanie" as distinct from "non-Ty bean bag toys." Def.'s ex. 1, at 2. The defendant points out only six magazine pages in which the word "beanies" is used to refer to non-Ty bean bag toys. It is true that genericness can be shown by the unchallenged use of the mark by competitors. *The Jones Group*, 98 F. Supp. 2d at 994. However, this factor cuts in Ty's favor because it challenged the use of the "beanies" name in connection with the three magazines named above, as well as numerous other entities using the term. Pl.'s Resp. to Def.'s Fact, ¶ 13; Pl.'s exs. 74(a)-(w); 75-99. The defendant's argument that these policing efforts did not take place until after 1998 is

unavailing; she has not submitted evidence that these magazines used the term "beanies" to refer to non-Ty toys prior to 1998.

Perryman also argues that Ty did not originate the word "beanie" and, in fact, prior to 1986, six other toy manufacturers registered trademarks which included "beanie" as an element: Super Beanies, Beanie Camper, Honey Beanie, Teenie Beanies, Finger Beanie, and Easter Beanie. Def.'s Facts at ¶¶ 52-62. Only three of these products were bean bag toys, and all of the registrations have since been canceled. The defendant's citation to *Mil-Mar Shoe Co.* does not help her position; in that case, the defendant provided evidence that over 8,000 retail stores used the word at issue ("warehouse") in their names. 75 F.3d at 1159. The defendant's evidence is paltry in comparison.

Perryman's argument that the term "beanies" is found in patent and trademark literature as a name for bean bag toys is also unconvincing. There is a 1999 patent for an instructional bean bag toy named "Alpha Beanie Buddies," def.'s ex. 49, but the patent office uses the term "bean bag alphanumeric figure" to describe the product, not "beanie." The trademark literature defendant presents is a 1999 application for the mark "zmillennium" in which the applicant described his goods as "toys, mostly, beannie type," among other things. The Patent and Trademark Office did not categorize the applicant's goods using the word "beanie"; it simply recited his description of goods in its decision to refuse registration of the mark. This evidence at most establishes that the term "beanie" is descriptive rather than suggestive, arbitrary, or fanciful.

In sum, we find the defendant's evidence of genericness sparse at best. In contrast, the plaintiff's evidence is convincing, and we conclude that there is no genuine issue as to whether the term "beanies" is generic. It is not.

b. *Descriptive Term and Secondary Meaning*

If "beanies" is not generic, then it is at least descriptive.[7] A claimant is entitled to protect a descriptive term only if it has acquired secondary meaning "in the collective consciousness of the relevant community." *See Platinum Home Mortg. Corp.*, 149 F.3d at 727 (quoting *Mil-Mar Shoe*, 75 F.3d at 1157). "Secondary meaning refers to the manner in which a consumer identifies a specific business or a business's reputation by a particular trademark." *Id.* at 728. To establish public identification, courts may consider several factors, including (1) the amount and manner of advertising; (2) the sales volume; (3) the length and manner of use; (4) consumer testimony, and (5) consumer surveys. *Id.* Ty must establish secondary meaning by the time Perryman began using "beanies" as part of her mark.[8] *G. Heilman Brewing Co., Inc. v. Anheuser-Busch Inc.*, 676 F. Supp. 1436, 1468 (E.D. Wisc. 1987), *aff'd*, 873 F.2d 985 (7th Cir. 1989) (citing cases).

7. Ty asserts in a conclusory way that "beanies" is suggestive, but neither argues the point nor cites supporting case law. Plaintiff's Memorandum at 10. We will only consider the arguments it has presented.

8. Ty does not directly challenge the defendant's assertion that the relevant time frame is December of 1997. It appears to accept this as the appropriate date by offering evidence of pre-1998 use of the term "beanie(s)," but at other times either offers post-1998 evidence or does not identify a time frame at all.

Appendix C

As to the first factor, Ty points out that it established a popular web site to market and sell its products and that its licensee advertised its Teenie Beanie Babies as "Teenie Beanies." The web site, however, did not exist in December of 1997, and Ty does not state when the Teenie Beanies advertisements ran. There is no assertion that Ty ran advertisements in 1997 specifically using the term "beanies" by itself. On the other hand, the media used the word "beanies" repeatedly to refer specifically to Ty's BEANIE BABIES. Pl.'s ex. 65(c)-(gg) (media using "Beanie(s)" in headlines to refer to BEANIE BABIES); *see also* Pl.'s ex. 63(b)-(u) (media referring to Teenie Beanie Babies as "Teenie Beanies" prior to 1998).[9] Examples include the Atlanta Constitution's May 19, 1997 report, "Beanie Bonanza"; Tulsa World's April 25, 1997 article, "Beanie Stampede"; The Chattanooga Times' March 26, 1997 article, "The Beanie Boom," to name a few. The defendant concedes the admissibility of plaintiff's group exhibit 65. Def.'s Reply at 4.

Ty's use of the word "Beanies" prior to 1998 was limited to poems located on the swing tags of six models of the BEANIE BABIES (out of more than 150 models), as well as shipping boxes, and newsletters to Ty dealers. As early as 1995, Ty began using the word "Beanie(s)" on swing tags accompanying six BEANIE BABY models: Ziggy, Grunt, Dotty, Waves, Tuffy, and Garcia. *See* Pl.'s fact 22; Exs. 39-44, 47-51. The word was used only in the context of a poem

9. The plaintiff also submits exhibits 11(d)-(kkkk), 19(a)-(v), 55 and 57, which are over one hundred articles, many of which refer to BEANIE BABIES or Teenie Beanie Babies as "beanies" in the text of the article itself rather than the headline.

about the animal. For example, the poem on the swing tag of Dotty the Dalmatian's swing tag reads: "The Beanies all thought it was a big joke/ While writing her tag, their ink pen broke/ She got in the way, and got all spotty/ So now the Beanies call her Dotty!" Pl.'s ex. 42, 49. Although the first letter was capitalized, no "TM" symbol appeared on the tags. "Beanie(s)" bore no distinctive print style, had no different color, nor did it occupy a prominent position on the tag. About 15 million toys bearing these swing tags were sold prior to 1998.[10] Pl.'s ex. 45; *see infra* III. In addition, Ty shipping boxes were marked "Beanies ™" prior to 1998. Pl.'s Facts, ¶ 29. The toys themselves were not sold out of shipping boxes, nor is there any contention toys were mailed to consumers in these types of boxes. Ty also used the word "Beanies" in newsletters to dealers beginning in 1995, but there is no evidence consumers at large ever saw these newsletters. *Id.* at ¶ 31.

Neither party has offered consumer testimony. Ty presents a consumer survey, but the results were gathered from interviews taken from June 15 through June 22, 2000. Pl.'s ex. 100, at 7. This survey, therefore, is not relevant to consumer understanding of the term "beanies" in December of 1997.

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10. The defendant argues that only two of the tags submitted as evidence by the plaintiff (those for Garcia and Grunt) were circulated prior to 1998, and swing tags used between 1994 and early 1996 had no poems. Def.'s response to Pl.'s Fact 22. However, she provides no evidence to support her claim that swing tags originally had no poems. The plaintiff, on the other hand, provides evidence that the six BEANIE BABIES models at issue "contained the BEANIES trademark in their swing tags during the entire time they were marketed and sold by Ty." Rogers Decl., at ¶ 17.

Appendix C

The most compelling evidence in Ty's favor is the media's use of the term "beanies" to refer to its products prior to 1998. We agree with Ty that the media's use of "beanies" to refer to Ty products was so widespread and continuous by December of 1997 that it had become a nickname for BEANIE BABIES and other Ty products. This is true even if Ty's own use of the mark was not particularly widespread.

> For the purpose of establishing public identification of a mark with a product or service, the fact-finder may rely on the use of the mark in 'advertising brochures, catalogs, newspaper ads, and articles in newspapers and trade publications,' *T.A.B. Systems v. Pactel Teletrac*, 77 F.3d 1372, 1375 (Fed. Cir. 1996) . . . . In addition, courts have recognized that "abbreviations and nicknames of trademarks or names used *only* by the public give rise to protectable rights in the owners of the trade name or mark which the public modified." *Nat'l Cable Television Assoc. v. Am. Cinema Editors, Inc.*, 937 F.2d 1572, 1577 (Fed. Cir. 1991). Such public use of a mark is deemed to be on behalf of the mark's owners.

Johnny Blastoff, Inc., 188 F.3d at 434 (affirming grant of summary judgment to defendant where plaintiff had appropriated the name "Rams" for his fictional sports team). The defendant argues that this analysis only applies to exclusive uses of a term to designate the product and does not apply to descriptive terms. She cites *Coca-Cola Co. v. Busch*, 44 F. Supp. 405, 409 (E.D. Pa. 1942) in support of her position, but that case says nothing about excluding

descriptive terms. As to exclusive use, the court cited two cases in which the plaintiff had never applied the claimed nickname to its goods but the defendant competitor had. *Id.* The opposite is true here: Ty applied the "beanie" mark to its goods, shipping boxes, and in newsletters. Moreover, the Seventh Circuit does not identify the elements defendant urges, nor does Jerome Gilson do so in his treatise, *Trademark Protection and Practice*, § 2.06.

We find, therefore, based on the evidence of Ty's use of the word "beanie(s)" beginning in 1995 and the extensive evidence that the term had become a nickname for BEANIE BABIES before 1998, that Ty has met its burden of showing that it has a protectable interest in the "beanie(s)" mark. There is no genuine issue.

2. *Likelihood of Confusion*

The next question is whether Ty has established a likelihood of confusion between the term "beanies" and the defendant's use of Bargain Beanies or Bargainbeanies.com.[11] The analysis of this issue is substantially identical to that already undertaken.

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11. The parties agree that Ty's state law claims for deceptive trade practices should be analyzed under the likelihood of confusion standard, as well. *See TMT North Am., Inc. v. Magic Touch GmbH*, 124 F.3d 876, 881 (7th Cir. 1997) (discussing only the Lanham Act although the case also raised state law claims because " 'federal and state laws regarding trademarks and related claims of unfair competition are substantially congruent' " and neither party had suggested that state law presents distinct considerations).

Summary judgment in favor of either party on Count II would be inappropriate. *See supra* I.A.

II. *Trademark Dilution*

The Federal Trademark Dilution Act, 15 U.S.C. § 1125(c)(1) provides that:

> The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.

In order to prove trademark dilution, Ty must establish that: (1) its logo and trade name are famous trademarks; (2) Perryman's use began after the marks had become famous; (3) Perryman's use "causes dilution" of the trademarks; and (4) Perryman's use is commercial and in commerce. *Trans Union LLC*, __ F. Supp.2d __, 2001 WL 303688, (citing *Eli Lilly*, 233 F.3d at 466).

The defendant disputes that Ty's trademarks were famous by the time she began her business, but offers almost no support for her position. As we have noted throughout, Ty's BEANIE BABIES and "Beanie(s)" marks attained extraordinary success in the market by December of 1997. Numerous newspapers from all over the country ran articles

about consumers' frenzy to collect the toys in 1996 and 1997. *See* Pl.'s Exs. 11, 19, 55-57, 63 & 65. We have no trouble finding that the plaintiff's mark was famous in December of 1997. The parties do not dispute that the defendant used the "Beanies" mark in commerce.

The only real issue, then, is whether the defendant's web site dilutes Ty's trademarks. *See Trans Union LLC*, 2001 WL 303688 (discussing dilution in the context of Internet use).

> Dilution "means the lessening of the capacity of a famous mark to identify and distinguish goods or services, *regardless of the presence or absence of" competition between the parties or likelihood of confusion among consumers.* 15 U.S.C. § 1127. Dilution occurs in cyberspace when defendant's use "lessens the capacity of [plaintiff] to identify and distinguish its goods and services by means of the Internet." *Intermatic [Inc. v. Toeppen,]* 947 F. Supp. [1227] at 1240 [N.D. Ill. 1996]; *see Panavision International, L.P. v. Toeppen*, 141 F.3d 1316, 1326 (9th Cir. 1998). A showing of actual economic harm is not required to establish dilution in this circuit. *Eli Lilly*, 233 F.3d at 468. Instead, [the plaintiff] need only demonstrate a likelihood of dilution based on the renown of its trademarks and the similarity between those marks and the allegedly diluting uses of defendant[ ]. *Id.* at 468-69.

Id. (emphasis added).

Appendix C

To the extent the plaintiff claims dilution of its BEANIE BABIES mark, we agree with the defendant that there is a genuine factual question as to whether that mark is sufficiently similar to "bargainbeanies.com." *See infra* I.A.1. The defendant does not make the same argument regarding the "beanies" mark, but rather reverts to her position that "beanies" is a generic term not entitled to trademark status. Def.'s Memo. at 15; Def's Reply at 14. We disagree, *see infra* I.B., and in view of defendant's apparent concession on this issue, find that the two are similar.

As to dilution, the plaintiff argues that the defendants' use of the term "beanies" on her bargainbeanies.com web site will cause Ty to become associated with "an unimaginable variety of products of varying quality (including competing products)." Indeed, Perryman does sell third party toys on her web site, but she argues that Ty is not protected by the trademark laws from having its products sold side-by-side with third party brands. That may be, but Perryman admits that she referred to third party toys as "beanies" on her web site. Pl.'s Facts, ¶ 57; Pl.'s ex. 107. The particular page at issue identifies Ty's toys, but in another category labeled "other beanies," lists a number of third party toys. This clearly lessens the capacity of the plaintiff to distinguish its goods from competitors. *See* 15 U.S.C. § 1127.

Ty has met its burden of showing that the defendant's use of the term "beanies" dilutes its protectable marks. Therefore, because there is no genuine dispute, we grant summary judgment in favor of Ty on Count III, and deny the defendant's motion for summary judgment on Count III.

Appendix C

III. *Defendant's Motions to Exclude Evidence*

The defendant has moved to exclude plaintiff's exhibits 55-57, and 100 on the grounds that they constitute impermissible hearsay. The motion is denied as moot inasmuch as the court did not consider exhibit 100 for other reasons, and only considered the newspaper articles to the extent the hearsay rules permit.

The defendant also moves to exclude plaintiff's exhibit 45 under Federal Rule of Civil Procedure 37(c). The defendant argues that during discovery she requested that Ty provide yearly dollar and unit volume sales for certain products, including BEANIE BABIES. On July 10, 2000, Ty responded that it does not record its sales records in a manner that would allow it to obtain or provide this information. On March 30, 2001, the day Ty filed it's cross-motion for summary judgment, the plaintiff delivered a copy of exhibit 45 to the defendant, which is a chart reflecting sales of *selected* models of BEANIE BABIES per month. In particular, the chart included all six BEANIE BABIES which had the mark "Beanie" on the poem of their swing tags, but does not provide all of the information the defendant requested in her interrogatory.

When the parties appeared before the court, plaintiff's counsel explained that the evidence was turned over two days after Ty found it. The exhibit was apparently transmitted by facsimile, and the date March 28, 2001 appears on the document. Although the circumstances are a bit puzzling, the defendant has offered no concrete reason to disbelieve counsel's representations to the court.

Appendix C

CONCLUSION

For the reasons stated above, we deny the defendant's motion for summary judgment. We deny the plaintiff's motion for summary judgment as to Counts I, II, and IV, but grant the motion as to Count III (trademark dilution). We deny the defendant's motions to exclude exhibits 45, 55 through 57, and 100.

DATE: July 17, 2001

ENTER: s/ John F. Grady
John F. Grady, United States District Judge

APPENDIX D — RELEVANT STATUTES

15 U.S.C. § 1125(c)

(c) Remedies for dilution of famous marks

(1) The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection. In determining whether a mark is distinctive and famous, a court may consider factors such as, but not limited to—

(A) the degree of inherent or acquired distinctiveness of the mark;

(B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;

(C) the duration and extent of advertising and publicity of the mark;

(D) the geographical extent of the trading area in which the mark is used;

(E) the channels of trade for the goods or services with which the mark is used;

(F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;

(G) the nature and extent of use of the same or similar marks by third parties; and

(H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(2) In an action brought under this subsection, the owner of the famous mark shall be entitled only to injunctive relief as set forth in section 1116 of this title unless the person against whom the injunction is sought willfully intended to trade on the owner's reputation or to cause dilution of the famous mark. If such willful intent is proven, the owner of the famous mark shall also be entitled to the remedies set forth in sections 1117(a) and 1118 of this title, subject to the discretion of the court and the principles of equity.

(3) The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register shall be a complete bar to an action against that person, with respect to that mark, that is

brought by another person under the common law or a statute of a State and that seeks to prevent dilution of the distinctiveness of a mark, label, or form of advertisement.

(4) The following shall not be actionable under this section:

(A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.

(B) Noncommercial use of a mark.

(C) All forms of news reporting and news commentary.

Appendix D

15 U.S.C. § 1127

The term "dilution" means the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of—

(1) competition between the owner of the famous mark and other parties, or

(2) likelihood of confusion, mistake, or deception.

MOTION FILED

MAR 6 2003

(2)

No. 02-1142

IN THE

Supreme Court of the United States

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

On Petition For a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

MOTION FOR LEAVE TO FILE AND BRIEF OF AT&T CORP. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

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March 6, 2003

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

26 pp

IN THE

Supreme Court of the United States

No. 02-1142

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

On Petition For a Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

MOTION OF AT&T CORP. FOR LEAVE TO FILE BRIEF AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

Pursuant to Rule 37.3 of the Rules of this Court, AT&T Corp. ("AT&T") hereby requests leave to file this brief as an *amicus curiae* in support of the Petitioner. Petitioner Ty, Inc. has consented to this brief as well as all other briefs offered by potential *amici*. Respondent Ruth Perryman has, however, withheld her consent from the filing of this brief in support of the Petition.

AT&T offers this brief because it believes that the decision below seriously threatens to erode the existing antidilution protections for famous marks. AT&T has spent more than a century and hundreds of millions of dollars building one of the world's most recognized and trusted brands for telecommunications. The decision below threatens to erode

the value of this massive investment and to deprive consumers of confidence in the meaning of all famous marks.

AT&T offers this brief to explain the violence that the decision does to the rights Congress accorded owners of famous trademarks and to identify several of the well-settled principles that the Seventh Circuit's decision upsets. By placing this case into its broader context, AT&T desires to assist the Court's resolution of this Petition and thus respectfully requests leave to file this brief.

For the foregoing reasons, the motion of AT&T for leave to file this motion as an *amicus curiae* in support of the Petitioner should be granted.

Respectfully submitted,

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TABLE OF CONTENTS

	Page
TABLE OF AUTHORTIES	iii
INTEREST OF THE *AMICUS CURIAE*	1
SUMMARY OF THE ARGUMENT	3
ARGUMENT	4
I. THE SEVENTH CIRCUIT'S WEAKENING OF PROTECTION FOR FAMOUS MARKS CONFLICTS WITH THE CONGRESSIONAL MANDATE AND UNDERMINES THE VALUE OF SUCH MARKS	6
A. Antidilution Law Protects The "Uniqueness" Of Famous Marks	7
B. Congress Sought To Preclude "Free Riding" On Famous Marks, Including On The Internet	9
C. The Seventh Circuit Decision Undermines Investment In Famous Marks Contrary To The Intent Of Congress	12
II. THE SEVENTH CIRCUIT TREATS TRADEMARK RIGHTS AS IF THEY WERE MONOPOLY RIGHTS OF THE KIND ACCORDED COPYRIGHTS AND EXTENDS "FAIR USE" SAFEGUARDS BEYOND WHAT CONGRESS SPECIFIED	13
A. Famous Marks Can Lose Their Protection After Abandonment Or Upon Becoming Generic	14
B. Congress Stipulated A Narrow Range Of "Fair Use" Rights Allowing Limited Third Party Use Of Famous Marks	15

TABLE OF CONTENTS – continued

Page

III. "PERCOLATION" IN THIS AREA IS PARTICULARLY DESTRUCTIVE 17

CONCLUSION 18

TABLE OF AUTHORITIES

CASES — Page

Amstar Corp. v. *Domino's Pizza, Inc.*, 615 F.2d 252 (5th Cir. 1980) 15

AT&T Corp. v. *Direct Wired Domains, LLC*, No. 1:02-CV-1835-ODE (N.D. Ga. July 23, 2002) ... 11

Ashley Furniture Indus., Inc. v. *SanGiacomo N.A. Ltd.*, 187 F.3d 363 (4th Cir. 1999) 15

Brookfield Communications, Inc. v. *West Coast Entm't Corp.*, 174 F.3d 1036 (9th Cir. 1999) 11

Car-Freshener Corp. v. *S.C. Johnson & Son, Inc.*, 70 F.3d 267 (2d Cir. 1995) 16

Clorox Co. v. *Sterling Winthrop, Inc.*, 117 F.3d 50 (2d Cir. 1997) 14

E.I. Du Pont de Nemours & Co. v. *Yoshida Int'l, Inc.*, 393 F. Supp. 502 (E.D.N.Y. 1975) 15

Eldred v. *Ashcroft*, 123 S. Ct. 769 (2003) 13

General Motors Corp. v. *E-Publications LLC*, No. CIV.A. 01-72819, 2001 WL 1798648, (E.D. Mich. Nov. 26, 2001) 11

Moseley v. *V Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003) 5, 6, 7, 13

Mishawaka Rubber & Woolen Mfg. Co. v. *S.S. Kresge Co.*, 316 U.S. 203 (1942) 7

PACCAR, Inc. v. *TeleScan Techs., L.L.C.*, 319 F.3d 243 (6th Cir. 2003), *available at* 2003 WL 244803 ..... 10, 16, 17

Panavision Int'l, L.P. v. *Toeppen*, 141 F.3d 1316 (9th Cir. 1998) 10, 11

Pegram v. *Herdrich*, 530 U.S. 211 (2000) 17

People for the Ethical Treatment of Animals v. *Doughney*, 263 F.3d 359 (4th Cir. 2001) 10, 11

Petro Stopping Ctrs., L.P. v. *James River Petroleum, Inc.*, 130 F.3d 88 (4th Cir. 1997) 14

Pharmaceutical Research & Mfrs. of Am. v. *Concannon*, No. 01-188 (U.S. June 28, 2002) 17

TABLE OF AUTHORITIES – continued

	Page
Playboy Enters., Inc. v. *Welles*, 279 F.3d 796 (9th Cir. 2002)	16
Sony Corp. of Am. v. *Universal City Studios, Inc.*, 464 U.S. 417 (1984)	13
In re Trade-Mark Cases, 100 U.S. 82 (1879)	18
U.S. Search, LLC v. *U.S. Search.com Inc.*, 300 F.3d 517 (4th Cir. 2002)	15
United Drug Co. v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918)	13

CONSTITUTION AND STATUTES

U.S. Const. art. I, § 8, cl. 8	4
Federal Trademark Dilution Act of 1995, Pub. L. 104-98, 109 Stat. 985 (codified at 15 U.S.C. §§ 1125, 1127)	3
15 U.S.C. § 1064(3)	14
15 U.S.C. § 1115(b)(4)	16
15 U.S.C. § 1125(c)	6, 9, 14, 16
15 U.S.C. § 1127	14

COURT RULE

Sup. Ct. R. 37	1

LEGISLATIVE HISTORY

H.R. Rep. No. 104-374 (1995)	3, 9, 18
S. Rep. No. 100-515 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577	8, 9
134 Cong. Rec. S5868 (daily ed. May 13, 1988)	8
141 Cong. Rec. S19312 (daily ed. Dec. 29, 1995)	8, 10
145 Cong. Rec. S15019 (daily ed. Nov. 19, 1999)	2

TABLE OF AUTHORITIES – continued

OTHER AUTHORITIES — Page

The Top 100 Brands, Bus. Wk., Aug. 5, 2002 ..... 2, 12
Thomas L. Friedman, *The Lexus and the Olive Tree* (2000) 10
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SCHOLARLY AUTHORITIES

Colossus: How the Corporation Changed America (Jack Beatty ed., 2001) 2
2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th ed. 2001) 16
4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (4th ed. 2001) 8
Frank Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927)... 7

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BRIEF OF AT&T CORP. AS *AMICUS CURIAE* IN SUPPORT OF PETITIONER

INTEREST OF THE *AMICUS CURIAE*

AT&T Corp. ("AT&T") is one of the world's premier voice and data communications companies, serving more than 50 million customers, including consumers, businesses and governments.[1] AT&T runs one of the largest and most sophisticated communications networks, providing data, Internet and managed services for the public and private sectors. AT&T also offers local, long distance and Internet services, as well as transaction-based services like prepaid cards, collect calling and directory assistance. With

[1] Pursuant to Rule 37.6 of the Rules of this Court, *amicus* states that no counsel for a party has authored this brief in whole or in part, and that no person or entity, other than the *amicus* or its counsel, has made a monetary contribution to the preparation or submission of this brief.

approximately $37 billion in revenues, AT&T has relationships with about 50 million consumers and 4 million business customers, who depend on AT&T communications and technologies.

AT&T has built its reputation by ensuring that the telecommunication services associated with its name consistently reflect quality and reliability. The AT&T brand signifies the source of the services and connotes a commitment to quality and earned trust. To publicize and build the value of this brand, AT&T engaged in what one commentator notes was "the first, most persistent, and most celebrated of the large-scale institutional advertising campaigns of the early twentieth century." See *Colossus: How the Corporation Changed America* 180 (Jack Beatty ed., 2001). This campaign was one of the first organized efforts to create a public image of a corporation that extended beyond its products or services and created a reputation embodied in the company brand.

As reported annually in *Business Week*, AT&T has consistently been ranked among the most valuable brands in the world by Interbrand, a leading independent brand consultancy. AT&T has been ranked the most valuable telecommunications brand, and the 2002 survey values the AT&T brand at more than $16 billion dollars. See *The Top 100 Brands*, Bus. Wk., Aug. 5, 2002, at 95, 96. It is no exaggeration to say that AT&T's brand remains one of its most valuable corporate assets.

AT&T has brought numerous actions under the Lanham Act, Federal Trademark Dilution Act, Anticybersquatting Consumer Protection Act, and under the Uniform Domain Name Dispute Resolution Policy issued by the Internet Corporation for Assigned Names and Numbers to police and protect its trademarks against misuse in domain names or website content. See, *e.g.*, 145 Cong. Rec. S15019 (daily ed. Nov. 19, 1999) (statement of Sen. Hatch documenting cyber-squatters' unlawful use of AT&T's marks). Therefore,

AT&T has a direct and tangible stake in the development of the proper legal standards under the FTDA, as well as in the efficacy of the remedies available to defend the company's trademarks.

SUMMARY OF THE ARGUMENT

The ruling of the Seventh Circuit substantially undermines the expansive antidilution protections provided for famous marks by the Federal Trademark Dilution Act of 1995, Pub. L. 104-98, 109 Stat. 985 (codified at 15 U.S.C. §§ 1125, 1127) ("FTDA"). The court below formulated a radical approach to trademark dilution that favors ready conversion of famous marks into generic terms in conflict with the true purpose of the antidilution law. Congress designed the FTDA to preclude "the unauthorized use of a famous mark [when it] reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3 (1995). The FTDA thus protects famous marks from the attempts of free riders "to trade upon the goodwill and established renown of [famous] marks." *Id.*

The Seventh Circuit decision adopts the opposite policy, favoring widespread use of famous marks to permit them to become generic words. The opinion below states: "arming trademark owners to enjoin uses of their mark that, while not confusing, threaten to render the mark generic may therefore not be in the public interest." Pet. App. 10a. The court actually extols the "social benefit" gained when a mark becomes generic – "namely an addition to ordinary language." *Id.* at 9a. Based on this analysis, the Seventh Circuit endorses the use of Petitioner Ty, Inc.'s famous mark by a reseller who has no connection to Ty, and it permits such use not merely on the branded products the reseller offers for sale, but in the name of the business itself. This dramatic narrowing of the rights of those who own famous trademarks is in direct conflict with the extensive antidilution protection that Congress provided.

The decision below also departs from mainstream analysis of the "fair use" doctrine – the statutory doctrine that permits marks to be used without license from the trademark owner only under limited circumstances. Under the opinion below, the limited fair use exception swallows the rule itself. The opinion's fundamental error is to treat trademarks as analogous to copyrights, which (like patents) reward creativity (and with patents, invention) by providing exclusive rights, but only for a finite period before committing the works to the public domain for the common good. Indeed, whereas the temporal limitations of copyright (and patent) protection are constitutionally mandated, U.S. Const. art. I, § 8, cl. 8, trademarks are not so limited by either the Constitution or Congress. Trademarks may be maintained so long as they identify a unique source. The public does not gain by the release of trademarks for general use because their entire purpose is to signify the *unique*, proprietary origin or sponsorship of private goods. The present case is a strong candidate for review because it posits an approach to trademark rights that is in stark conflict with the wishes of Congress. Review is also warranted to assure national uniformity in the protection of nation-wide marks.

ARGUMENT

This case arises on appeal from the district court's grant of summary judgment in favor of Petitioner Ty, Inc. on the ground that Respondent Perryman's use of Ty's famous "Beanies" mark in the name of her business and in her domain name diluted Ty's mark in violation of the FTDA. The Seventh Circuit reversed. The court recognized that the FTDA protects against "blurring" and "tarnishment" of famous marks, but then characterized this case as falling in a distinct, third category of "free ride[r]" cases involving a supposed extension of antidilution law. Pet. App. 4a-5a. The court below analyzed the question before it as whether the FTDA precludes unauthorized resellers of genuine articles

from using the famous marks associated with those goods, even in the name or domain of the reseller's business. See *id.* at 3a. The court held that the FTDA does not "forbid [such] commercial uses" even if they "accelerate the transition from trademarks (brand names) to generic names (product names)." *Id.* at 8a. Indeed, there is a "social benefit, namely an addition to ordinary language" which occurs when marks are made generic. *Id.* at 9a.

This Court's recent decision in *Moseley* v. *V Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003), does not resolve or address the issue in this case. In *Moseley*, the Court held that the FTDA requires proof of actual dilution, rather than a mere "likelihood." *Id.* at 14. The question presented in the Petition at issue here does not involve the standard of proof for dilution; it concerns whether unlicensed resellers of goods bearing famous trademarks have the right, as a matter of law, to incorporate the famous marks into the reseller's business name and Internet domain name. See Pet. i. Moreover, the district court below found actual injury, awarding summary judgment to Petitioner on its dilution claim based on a "clear[] lessen[ing of] the capacity of the plaintiff [Ty, Inc.] to distinguish its goods from competitors." Pet. App. 55a. Thus, this is not a "mere mental association" case like *Moseley*. See *Moseley*, No. 01-1015, slip op. at 15 ("the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution").

If the Seventh Circuit's decision is not reversed, resellers will have acquired a new legal right in famous marks that the FTDA does not allow, and the owners of famous marks will be denied their express statutory right to enjoin resellers from "'lessening . . . the capacity of [the] famous mark to identify and distinguish goods or services.'" *Id.* at 15 (requiring evidence of any such lessening) (quoting 15 U.S.C. § 1127). Although the FTDA clearly is designed to expand the protection of famous marks, the Seventh Circuit's

interpretation of that statute will make it more, not less, difficult to protect famous marks in the future.

I. THE SEVENTH CIRCUIT'S WEAKENING OF PROTECTION FOR FAMOUS MARKS CONFLICTS WITH THE CONGRESSIONAL MANDATE AND UNDERMINES THE VALUE OF SUCH MARKS.

In the FTDA, Congress empowered the owners of famous marks to enjoin the commercial use of a mark where such use causes dilution of the mark's distinctive quality.[2] 15 U.S.C. § 1125(c)(1). The Seventh Circuit construed Petitioner's claim as seeking to *extend* "antidilution law to forbid commercial uses that accelerate the transition from trademarks . . . to generic names"; and it concluded that doing so would be inconsistent with "the public interest." Pet. App. 8a-10a. The Seventh Circuit elaborated its unusual thesis that the FTDA does not permit trademark owners to police their marks to prevent their trademarks from becoming generic. *Id.* at 8a-9a. Instead, the court was of the view that there would be a "social benefit" derived from adding famous marks "to ordinary language." *Id.* at 9a-10a. The proposition that a "social benefit" is gained when a famous brand is rendered generic, however, conflicts with the law enacted by Congress, and denies the owners of famous marks – as well as consumers – the protections and benefits Congress intended.

As this Court recently noted, "[n]either the absence of any likelihood of confusion nor the absence of competition" provides a defense to dilution, and the prohibitions against dilution "are not motivated by an interest in protecting consumers." *Moseley*, No. 01-1015, slip op. at 10. Thus, the Seventh Circuit mistakenly elevates a nebulous "public interest," Pet. App. at 10a, above the express rights Congress

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[2] Damages are available for trademark dilution only to the extent the unauthorized user "willfully" intends to trade on the owner's reputation or cause dilution to the famous mark. 15 U.S.C. § 1125(c)(2).

granted famous trademark owners. This conflicts with the teaching of *Moseley* that "'the preservation of the uniqueness of a trademark should constitute the only rational basis for its protection.'" *Moseley*, No. 01-1015, slip op. at 10 (quoting Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 831 (1927)).

The Seventh Circuit's decision warrants review and reversal because it undermines the very ability of the owner of a famous mark to preserve the uniqueness of that mark by enjoining an unauthorized, unrelated reseller from using the famous mark as the reseller's own business and domain name. See Pet. App. at 10a. The ruling thereby materially weakens the FTDA and precludes its intended use when there is a "clear[] lessen[ing of] the capacity of the [trademark owner] to distinguish its goods." *Id.* at 55a.

A. Antidilution Law Protects The "Uniqueness" Of Famous Marks.

Efforts to protect the investments of trademark holders against dilution date back as far as 1927, as brand advertising was beginning. Professor Frank Schechter argued then that coined or unique trademarks should be protected from the "gradual whittling away or dispersion of the identity and hold upon the public mind." Frank Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813, 825 (1927). As this Court recognized in *Moseley*, adopting Schechter's seminal theory, was that the true injury against which antidilution law protects is an attack upon "'the uniqueness of a trademark.'" *Moseley*, No. 01-1015, slip op. at 10.

Famous marks are powerful tools to identify and inspire confidence in products, both old and new, from the same identifiable source. As Justice Frankfurter noted, "[t]he protection of trade-marks is the law's recognition of the psychological function of symbols." *Mishawaka Rubber & Woolen Mfg. Co.* v. *S.S. Kresge Co.*, 316 U.S. 203, 205 (1942). They achieve a "psychological grip" on consumers

that generates "loyalty and good will." USTA Trademark Review Comm'n, *Report and Recommendations on the United States Trademark System and the Lanham Act*, 77 Trademark Rep. 375, 455 (1987) ("*USTA Trademark Review*"), *reprinted in Trademark Law Revision Act of 1987: Hearing on S. 1883 Before the Subcomm. on Patents, Copyrights, and Trademarks of the Senate Comm. on the Judiciary*, 96th Cong. 177 (1988) ("*Trademark Hearing*").

As the USTA study recognized, while famous marks are "enormously valuable" they are also "fragile assets, susceptible to irreversible injury from promiscuous use." See *id.* at 455, *reprinted in Trademark Hearing* 177. This study formed the modern scholarly basis for the FTDA and synthesized the views of hundreds of trademark practitioners, numerous eminent scholars and more than 50 organizations, which included the United States and foreign governments. See 134 Cong. Rec. S5868 (daily ed. May 13, 1988) (statement of Sen. DeConcini); S. Rep. No. 100-515, at 2-3 (1988), *reprinted in* 1988 U.S.C.C.A.N. 5577, 5578-79.

The FTDA, adopted in 1996, is the direct descendent of the 1987 proposal of the USTA's Trademark Review Commission.[3] After years of debate, the antidilution recommendations of the Commission were embodied in the FTDA, which enjoyed the support of the U.S. Patent and Trademark Office, the Department of Commerce, and the International Trademark Association. See 141 Cong. Rec. S19312 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy).

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[3] Professor McCarthy has noted the usefulness of the legislative history from the 1987 USTA Commission Report and the 1988 Senate Judiciary Committee report in understanding the FTDA. *See* 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:87, at 24-142 (4th ed. 2001). The United States Trademark Association (USTA) is now known as the International Trademark Association (INTA).

B. Congress Sought To Preclude "Free Riding" On Famous Marks, Including On The Internet.

In adopting the FTDA, Congress did not seek to equate dilution with infringement, but rather to recognize an independent protection that "applies when the unauthorized use of a famous mark reduces the public's perception that the mark signifies something unique, singular, or particular." H.R. Rep. No. 104-374, at 3. The FTDA thus protects famous marks from attempts of free riders "to trade upon the goodwill and established renown of [the famous] marks." *Id.*

Given the strength and breadth of these protections, Congress limited them to a narrow class of marks. As the Senate noted, the intention was to "create[] a highly selective federal cause of action to protect . . . marks that are truly famous from dilution of the distinctive quality of the mark." S. Rep. No. 100-515, at 7, *reprinted in* 1998 U.S.C.C.A.N. at 5583. Marks only receive the FTDA's powerful protection if they are unquestionably prominent and renowned and satisfy the FTDA's detailed criteria.[4]

The FTDA's criteria for distinguishing whether a mark is sufficiently "distinctive and famous" to warrant antidilution protection expressly envision that the value of a brand varies directly with the amount of effort put into generating awareness and recognition of the brand. The Seventh Circuit, however, took the opposite approach: the more well known the mark, the less it is entitled to protection from being absorbed into common language.

The USTA Review Committee specifically considered and rejected the policy concerns regarding potential "monopolization of language" that are at the heart of the

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[4] The FTDA requires consideration of the distinctiveness of the mark, the extent of its use, the extent of the advertising of the mark, the geographical coverage of the mark, the channels of trade in which it is used, the nature of similar marks, and whether it is a registered mark. *See* 15 U.S.C. § 1125(c)(1).

Seventh Circuit's decision. *USTA Trademark Review*, *supra*, at 457, *reprinted in Trademark Hearing* 179. As the Committee noted, "[t]hird parties have an infinite number of trademark choices available. Confining dilution protection to famous trademarks will have little or no impact on other businesses. All new entrants need to do is compete fairly using marks which cause neither likelihood of confusion nor dilution." *Id.*

Moreover, the FTDA was passed with a view to the precise Internet free-riding that the Seventh Circuit did not find worthy of meaningful protection. As Senator Leahy stated, "this antidilution statute [the FTDA] can help stem the use of deceptive Internet addresses taken by those who are choosing marks that are associated with the products and reputations of others." 141 Cong. Rec. S19312 (daily ed. Dec. 29, 1995) (statement of Sen. Leahy). Indeed, globalization and the Internet have heightened the value of a strong brand identification to enable consumers around the world to discern the source of products and services offered for sale. As consumers now seek products from well beyond their local markets, "having a strong brand that conjures up a strong image with customers is essential." See Thomas L. Friedman, *The Lexus and the Olive Tree* 243 (2000).

The Seventh Circuit particularly failed to recognize the new realities of the Internet. As was clear to the Sixth Circuit in *PACCAR, Inc.* v. *TeleScan Technologies, L.L.C.*, domain names essentially function as trademarks and "can and do communicate information as to the source or sponsor of the web site." 319 F.3d 243 (6th Cir. 2003), *available at* 2003 WL 244803, at *4; see also *People for the Ethical Treatment of Animals* v. *Doughney*, 263 F.3d 359, 366 (4th Cir. 2001). As a result of the vast popularity of the Internet, consumers expect to find a company on the Internet at a domain name address comprised of the company's name or mark. See *Panavision Int'l, L.P.* v. *Toeppen*, 141 F.3d 1316, 1327 (9th Cir. 1998) ("We reject [the] premise that a domain name is

nothing more than an address. A significant purpose of a domain name is to identify the entity that owns the web site.").[5] In short, "domain names communicate information as to source." *Brookfield Communications, Inc.* v. *West Coast Entm't Corp.*, 174 F.3d 1036, 1055, 1066 (9th Cir. 1999).

Thus, a company's use of another party's marks in her own domain name creates uncertainty about who is affiliated with whom, and undermines the actual value of the mark by diverting the initial interest of the consumer away from the trademarked goods and services of the owner of the famous mark. This risk is not hypothetical. There is a significant, and highly pernicious, phenomenon on the Internet where domain names are registered in bad faith for the purpose of exploiting famous trademarks and their associated goodwill in order to divert Internet traffic to the registrants' own websites. See *People for the Ethical Treatment of Animals*, 263 F.3d at 367-69.

Although the Seventh Circuit below acknowledges this danger, Pet. App. 8a, its decision diminishes the ability of mark holders to protect against it. Indeed, the Seventh Circuit's approach could complicate what district courts have viewed as a straightforward application of law. For example, in *General Motors Corp.* v. *E-Publications LLC*, No. Civ. A. 01-72819, 2001 WL 1798648, at *3 (E.D. Mich. Nov. 26, 2001), the court prohibited the use of "Restore GM" and "Restore GM Muscle" in the business name and domain names of an unauthorized third party specializing in GM parts, including on dilution grounds under the FTDA. Similarly, in *AT&T Corp.* v. *Direct Wired Domains, LLC*, No.

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[5] In *Panavision*, the Ninth Circuit stated: "A customer who is unsure about a company's domain name will often guess that the domain name is also the company's name. [A] domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base." 141 F.3d at 1327 (alteration in original) (citation and internal quotation marks omitted).

1:02-CV-1835-ODE (N.D. Ga. July 23, 2002), *amicus* AT&T challenged, on FTDA and other grounds, the right of an unauthorized reseller to use the Internet domain name <ATT-card.com> to market prepaid AT&T phone cards. That case resulted in the entry of a permanent injunction by consent. The Seventh Circuit's decision, however, runs counter to these and many other examples, and it will make future protection of famous marks on the Internet more difficult. The law simply does not support such undercutting of the rights of famous mark holders.

C. The Seventh Circuit Decision Undermines Investment In Famous Marks Contrary To The Intent Of Congress.

The powerful statutory protection Congress provided for famous marks is entirely commensurate with the staggering size of the investment that business makes in such marks. According to the August 2002, *Business Week* survey of the Top 100 Brands, the top 10 brands alone were valued at a total of more than $350 billion dollars. See *The 100 Top Brands*, Bus. Wk., Aug. 5, 2002, at 95, 95-96.

The Seventh Circuit's decision, however, would produce a legal regime in which a trademark owner – unable to control the operations of third parties – is powerless to prevent the public from coming to associate the third party with the famous mark. This approach attacks the source-identifying power of famous marks, foments greater marketplace uncertainty, imposes higher information transaction costs, and renders advertising expenditures less effective. While the opinion below contends that forbidding the respondent from using "Beanies" in her "business name *and* advertising" is like "forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising," Pet. App. 7a (emphasis added), the analogy fails. The Respondent here has used Ty's marks not just to identify products, but in the very business name and Internet domain name by which she holds herself out to the public.

II. THE SEVENTH CIRCUIT TREATS TRADEMARK RIGHTS AS IF THEY WERE MONOPOLY RIGHTS OF THE KIND ACCORDED COPYRIGHTS AND EXTENDS "FAIR USE" SAFEGUARDS BEYOND WHAT CONGRESS SPECIFIED.

The Seventh Circuit's rationale misapprehends the protections afforded under the FTDA by equating them with the monopolistic or exclusionary rights provided by copyright law.[6] See Pet. App. 8a. These fears are unfounded and do not apply to trademark rights. Trademark law simply does not create monopoly rights.[7] In *Moseley*, this Court recognized that the law of trademarks is grounded in an entirely different concern; it is part of a broader law of unfair competition. *Moseley*, No. 01-1015, slip op. at 9. Moreover, this Court recognized well prior to the Lanham Act's enactment in 1946 that: "In truth, a trademark confers no monopoly whatever in a proper sense, but is merely a convenient means for facilitating the protection of one's good-will in trade by placing a distinguishing mark or symbol – a commercial signature – upon the merchandise or the package . . . ." *United Drug Co.* v. *Theodore Rectanus*

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[6] Copyrights enjoy monopoly privileges that, while not as broad as under patent law, *see Eldred* v. *Ashcroft*, 123 S. Ct. 769, 787 (2003), are "intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the limited period of exclusive control has expired." *Sony Corp. of Am.* v. *Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).

[7] Trademarks, unlike patents and copyrights, are not restricted by the "limited Times" provision of the Constitution. U.S. Const. art. I, § 8, cl. 8, and are not subject to the same balancing of incentives that is appropriate "[t]o promote the Progress of Science and useful Arts." *Id. See generally Eldred* v. *Ashcroft*, 123 S. Ct. 769 (2003); *see also Sony Corp.*, 464 U.S. at 439 & n.19 (discussing "historic kinship" between copyright and patent law and noting that this Court has "consistently rejected the proposition that a similar kinship exists between copyright law and trademark law").

Co., 248 U.S. 90, 98 (1918). This remains true today. "As other courts and commentators have observed, trademarks are by their nature non-exclusionary. A trademark, unlike other intellectual property rights, does not confer a legal monopoly on any good or idea; it confers rights to a name only." *Clorox Co.* v. *Sterling Winthrop, Inc.*, 117 F.3d 50, 56 (2d Cir. 1997). And thus under trademark law a rose may go by another name.

The radical regime forged by the court below is neither consistent with law, nor even necessary to preserve the ability of competitors and consumers to use language freely. Trademark law already protects generic words from acquisition or control; marks also become publicly available if they are abandoned; and they are always available for fair use.[8] To be sure, the FTDA does not permit "producers [to] own their aftermarkets," Pet. App. 8a, nonetheless and contrary to the Seventh Circuit's ruling, a central purpose of the Act is to permit trademark owners to prevent the improper use of their marks by others, including those who seek to resell their goods or services.

A. Famous Marks Can Lose Their Protection After Abandonment Or Upon Becoming Generic.

A primary limitation on trademark protections is that a mark may be abandoned or lost through non-use, uncontrolled licensing or insufficient enforcement by the trademark owner, or through use of the mark as a generic term by the public or by the trademark owner itself.[9] Thus, for example, the public

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[8] Non-commercial and journalistic usage of famous marks is also not actionable under the FTDA. 15 U.S.C. § 1125(c)(4)(B) &(C).

[9] *See, e.g.*, *Petro Stopping Ctrs., L.P.* v. *James River Petroleum, Inc.*, 130 F.3d 88, 93-94 (4th Cir. 1997) (registered, "incontestable" marks deemed weak in light of third-party use); 15 U.S.C. § 1127 (a mark may be "abandoned" through the owner's "acts of omission as well as commission"); *see also* 15 U.S.C. §§ 1064(3) (registration may be cancelled [a]t any time" if it has become the generic name for all or some of the goods or services for which it is registered) and 1127 (a mark may

has an "inherent right to call a product or service by its generic name," *U.S. Search, LLC* v. *U.S. Search.com, Inc.*, 300 F.3d 517, 523 (4th Cir. 2002).

In contrast to the treatment of negligent trademark owners who inadequately police the use of a mark, see, *e.g.*, *Amstar Corp.* v. *Domino's Pizza, Inc.*, 615 F.2d 252, 259-60 (5th Cir. 1980), the law – at least before the decision below – rewards owners of famous marks who are vigilant in monitoring and deterring generic and unauthorized use. See, *e.g.*, *E.I. Du Pont de Nemours & Co.* v. *Yoshida Int'l, Inc.*, 393 F. Supp. 502, 512 (E.D.N.Y. 1975) ("[S]trength is primarily a question of degree . . . including an appraisal of the owner's policing efforts to ensure that whatever distinctiveness or exclusivity has been achieved is not lost through neglect, inattention, or consent to infringing uses."). This clear mandate for policing and investing in a mark is completely eviscerated by the Seventh Circuit's view that third parties are permitted to hasten the "genericide" of a famous mark with impunity while free riding on that very mark to promote their own business identity. Whereas traditional genericism is determined by public use, the Seventh Circuit improperly allows impairment of trademark rights at the hands of competitors and unauthorized resellers.

B. Congress Stipulated A Narrow Range Of "Fair Use" Rights Allowing Limited Third Party Use Of Famous Marks.

The Seventh Circuit's interest in providing for an expanded range of words available for public use is already fully addressed in the statute under the rubric of "fair use." "Fair

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be "abandoned" when, *inter alia*, "any course of conduct of the owner, including acts of omission as well as commission, causes the mark to become the generic name for the goods or services on or in connection with which it is used or otherwise to lose its significance as a mark"); *Ashley Furniture Indus., Inc. v. SanGiacomo N.A. Ltd.*, 187 F.3d 363, 376 (4th Cir. 1999) (trade dress rights terminate if abandoned or if the trade dress becomes generic through public usage).

use" includes unlicensed use of marks to describe or identify the goods or services one offers for sale. "Classic fair use" involves use by a third party of a descriptive "name, term, or device . . . otherwise than as a mark . . . fairly and in good faith only to describe the goods or services of [the defendant], or their geographic origin." 15 U.S.C. § 1115(b)(4). The mark that is the subject of "fair use" is not used for its source-identifying, or secondary meaning, sense, but merely to describe the attributes or characteristics of a product or service. See *id.*[10]

"Nominative fair use" is also permitted. This entails use of a mark in a trademark – source-identifying – sense for comparative advertising or the bona fide resale of branded goods or services. See *Playboy Enters., Inc.* v. *Welles*, 279 F.3d 796, 801 (9th Cir. 2002). For example, the FTDA provides that "[f]air use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark" is not actionable. 15 U.S.C. § 1125(c)(4). But the parameters of nominative fair use are carefully circumscribed: No more of the owner's mark may be used than is necessary, nor may it be used in any way to suggest authorization, sponsorship or affiliation. See, *e.g.*, *PACCAR*, 2003 WL 244803, at *10.

Under the doctrine of "fair use," federal law provides that the reseller of a product has the limited right fairly and in good faith to inform consumers of the product that he or she is selling, and indicate the brand of the product being re-sold.

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[10] *See, e.g., Car-Freshener Corp.* v. *S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269 (2d Cir. 1995) ("although trademark rights may be acquired in a word or image with descriptive qualities, the acquisition of such rights will not prevent others from using the word or image in its descriptive sense, and not as a trademark"); 2 McCarthy, *supra*, § 11:45, at 11-79 ("A junior user is always entitled to use a descriptive term in good faith in its primary, descriptive sense other than as a trademark. . . . in the interest of free competition.").

See *id.* If the Seventh Circuit's opinion were so limited, Respondent would be able to identify and describe the products she offers for sale without violating the FTDA. But fair use rights cannot and do not permit use of the mark by a third party as its own mark or name. The Seventh Circuit improperly turned a limited statutory *exception* into the controlling *rule*.

III. "PERCOLATION" IN THIS AREA IS PARTICULARLY DESTRUCTIVE.

This Court often enjoys the luxury of being able to allow issues to "percolate" among the courts of appeals in order to ensure that each case heard by the Court properly frames a particular question and that the issues will be aired fully for the Court's consideration. But the Court routinely hears cases even if the precise issue has not been considered by more than one court of appeals. See, *e.g.*, *Pharmaceutical Research & Mfrs. of Am.* v. *Concannon*, No. 01-188 (U.S. June 28, 2002) (order granting petition for a writ of certiorari); *Pegram* v. *Herdrich*, 530 U.S. 211, 217-18 (2000). This is because the adverse consequences of delay outweigh the marginal role of "percolation." This is such a case. The question presented in the Petition should not remain unresolved. Its rationale is inconsistent with the rulings of numerous circuit courts, see Pet. 7-15, and the case is ripe for this Court's review now. Famous marks, by the very nature of their fame, operate without respect to the boundaries of the circuit courts, and the dilution of a mark in one circuit erodes the distinctiveness of that same mark in other circuits. This is especially true, of course, with famous marks conveyed on Internet websites and domain names.

Congress adopted the FTDA explicitly because it saw state variance in the protections afforded to trademarks causing "unpredictable and inadequate results for the trademark owner," and thereby impeding productive investment and creating unfounded danger to multi-billion dollar assets. See

H.R. Rep. No. 104-374, at 3. The FTDA thus expressly promoted "uniformity and consistency" in the protection of famous marks, because the opposite "simply encourages forum-shopping and increases the amount of litigation." *Id.* at 4. Indeed, for more than a century, this Court has recognized that trademarks "not only admit, but in order to [ensure] their efficiency require, uniformity of regulation." *In re Trade-Mark Cases*, 100 U.S. 82, 87 (1879). The unique theory of the Seventh Circuit, threatens to undo the work of Congress, which this Court and other circuit courts of appeals have preserved.

CONCLUSION

The petition for a writ of certiorari to the United States Seventh Circuit for the Seventh Circuit should be granted.

Respectfully submitted,

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March 6, 2003

No. 02-1142

IN THE
SUPREME COURT OF THE UNITED STATES

TY INC.,
Petitioner,
v.

RUTH PERRYMAN,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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TABLE OF CONTENTS

TABLE OF CONTENTS i

TABLE OF AUTHORITIES ii

ADDITIONAL RELEVANT STATUTORY PROVISIONS 1

COUNTER-STATEMENT OF THE CASE 1

REASONS FOR DENYING THE WRIT 2

I. The Sixth Circuit Has Nullified The "PACCAR" Dilution Analysis 4

II. The Ruling Does Not Conflict With Case Law 4

III. The Ruling Does Not Limit The Dilution Concept 10

IV. The Ruling Does Not Provide A Safe Harbor Undermining Trade 10

CONCLUSION 11

TABLE OF AUTHORITIES

Cases

Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036 (9th Cir. 1999) 8

Caterpillar Inc. v. Telescan Technologies, L.L.C., 2002 WL 1301304 (C.D.Ill. Feb. 13, 2002) 9

Dr. Ing. H.C.F. Porsche AG v. Zim, 481 F.Supp. 1247 (N.D.Tex. 1979) 8

Federal Express Corp. v. Federal Espresso, Inc., 201 F.3d 168 (2nd Cir. 2000) 7, 8

Ford Motor Co. v. Weibel, 262 F.Supp. 932 (D.R.I. 1967) 8

Ford Motor Co. v. Ford Financial Solutions, Inc., 103 F.Supp.2d 1126 (N.D.Iowa 2000) 9

General Motors Corp. v. E-Publications LLC, 2001 WL 1798648 (E.D.Mich. Nov. 26, 2001) 9

General Motors Corp. v. Smith, 138 U.S.P.Q. 382 (S.D. Cal. 1963) 8

Green Products Co. v. Independence Corn By-Products Co., 992 F.Supp. 1070 (N.D. Iowa 1997) 9

Lincoln Motor Co. v. Lincoln Automobile Co., 44 F.(2d) 812 (N.D. Ill. 1930) 8

Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208 (2nd Cir. 1999) 6, 7

PACCAR, Inc. v. TeleScan Techs., LLC., 115 F.Supp.2d 772 (E.D. Mich. 2000), *aff'd.*, ___ F.3d ___ (6th Cir. 2003) 2003 WL 244803 .....4, 9

Panavision International, L.P. v. Toeppen, 141 F.3d 1316 (9th Cir. 1998). 7

People for the Ethical Treatment of Animals, Inc. v. Doughney, 133 F.Supp.2d 915 (E.D.Va. 2000), *aff'd.*, 263 F.3d 359 (4th Cir. 2001).....9

Playboy Enters., Inc. v. Asiafocus Intern., Inc., 1998 WL 724000 (E.D.Va. April 10, 1998)..... 9

Porsche Cars North America Inc. v. Manny's Porshop, Inc., 972 F. Supp. 1128 (N.D.Ill. 1997).....8

Ringling Bros.-Barnum & Bailey Comb. Shows, Inc. v. Utah Div. Travel Dev., 170 F.3d 449 (4th Cir. 1999).....7, 8

Teletech Customer Care Management, Inc. v. Tele-Tech Company, Inc., 977 F.Supp. 1407 (C.D.Cal. 1997) 9

Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., 212 F.3d 157 (3rd Cir. 2000).....7

Trail Chevrolet, Inc. v. General Motors Corp., 381 F.2d 353 (5th Cir. 1967)..... 5

Trans Union LLC v. Credit Research, Inc., 142 F.Supp.2d 1029 (N. D.Ill. 2001).....9

V. Secret Catalogue, Inc. v. Moseley, 259 F.3d 464 (6th Cir. 2001), *cert. granted,* 122 S.Ct. 1536 (2002) 7, 8

Victoria's Secret Stores v. Artco Equipment Co., 194 F.Supp.2d 704 (S.D.Ohio 2002) 9

Volkswagenwerk Aktiengesellschaft v. Brewer, 170 U.S.P.Q. 560 (D.Ariz. 1971) 8

Volkswagenwerk Aktiengesellschaft v. Church, 411 F.2d 350 (9th Cir. 1969) 5, 6

Volkswagenwerk Aktiengesellschaft v. Karadizian, 170 U.S.P.Q. 565 (C.D.Cal. 1971) 8

Volkswagenwerk Aktiengesellschaft v. Rickard, 492 F.2d 474 (5th Cir. 1974) 5, 6

Volkswagenwerk Aktiengesellschaft v. Tatum, 344 F.Supp. 235 (S.D.Flor. 1972) 8

Volkswagenwerk Aktiengesellschaft v. Volks City, Inc., 348 F.2d 659 (3rd Cir. 1965) 5

Volkswagenwerk G.m.b.H. v. Frank, 198 U.S.P.Q. 916 (D.Colo. 1961) 8

Statutes

15 U.S.C. §1114(1) 1, 3, 4, 10

15 U.S.C. §1125(a) 1, 3, 4, 10

Federal Trademark Dilution Act, 15 U.S.C. §1125© 1, 2, 3, 10

ADDITIONAL RELEVANT STATUTORY PROVISIONS

The relevant provisions of the Lanham Act's trademark infringement and unfair competition provisions, 15 U.S.C. §§ 1114(1) and 1125(a), are reproduced in the Appendix at Res. App. 7a-9a.

COUNTER-STATEMENT OF THE CASE

The ruling of the district court below on cross-motions for summary judgment granted summary judgment to Ty Inc., the petitioner, on Count III trademark dilution (15 U.S.C. § 1125(c)) and denied both summary judgment motions on Counts I, II and IV which alleged trademark infringement and unfair competition under the Lanham Act, 15 U.S.C. §§ 1114(1) and 1125(a), and state law claims for deceptive practices. Pet. App. 28a, 57a. Thereafter the petitioner first moved for entry of final judgment as to dilution (judgment on fewer than all of the claims), which motion was denied, and then the petitioner voluntarily dismissed its remaining counts (including its trademark infringement and unfair competition counts) with prejudice. Res. App. 1a-2a. A Final Judgment Order was also entered by the district court when the remaining counts were dismissed with prejudice. Res. App. 3a-4a. The respondent then appealed, which resulted in the present Seventh Circuit's opinion directed to dilution under 15 U.S.C. § 1125(c), and not directed to trademark infringement and unfair competition (15 U.S.C. §§ 1114(1) and 1125(a)) of the counts which had been dismissed with prejudice. On remand to the district court from the Seventh Circuit, the district court entered a new Final Judgment Order enjoining respondent from advertising or selling any non-Ty products at any web site containing Beanie or Beanies within the domain name. Res. App. 5a-6a.

REASONS FOR DENYING THE WRIT

The question presented by the petitioner is whether every third-party reseller of goods bearing famous trademarks has a right, as a matter of law, to incorporate the famous marks into the reseller's business name and Internet domain name, or whether such conduct instead constitutes dilution of the trademarks under the FTDA. Pet. at *i*. The petitioner argues that the Seventh Circuit's opinion holds that a reseller of a product has a *per se* legal right to use a famous trademark in its business name and domain name. According to the petitioner, the upshot of such ruling is that the owners of famous marks now face the immediate prospect of the value of their marks being diluted, distorted, and undermined by tens of thousands of unrelated parties solely because these third parties sell or resell the trademark owner's products. Pet. at 1-2. The Seventh Circuit's opinion, however, does not hold what the petitioner claims it holds; the parade of trademark horrors projected by the petitioner arises from a "straw man" ruling that it created, not from the opinion issued by the Seventh Circuit.

That the Seventh Circuit's ruling does not hold that any reseller has a *per se* legal right to use the product's trademark in its business name and domain name is seen repeatedly in this fact specific decision. The Seventh Circuit, as to respondent's sales of petitioner's products, found that confusion is not a factor. Pet. App. 1a-3a. Further, the respondent's use of the Bargain Beanies business name and the bargainbeanies.com domain name did not constitute blurring nor tarnishment because she is not producing a product or selling a service, and rather she is selling the very product to which the trademark is attached. Pet. App. 4a-7a. The Seventh Circuit then refused to extend the antidilution law beyond the basic blurring and tarnishment concepts here because (1) the

mark "Beanies" describes a basic element of the product, (2) "Beanies" is catchier than "beanbag toys" and (3) the petitioner's own marketing strategy created the secondary market in which respondent operates. Pet. App. 5a-10a. The Seventh Circuit refused to allow the petitioner to use the FTDA to own its aftermarket and impede sellers in the aftermarket. Pet. App. 7a-*8a*. There are no *per se* rules nor far reaching implications for owners of famous marks, particular distinctive (unrelated to the product) marks, in the Seventh Circuit's ruling. The Lanham Act's prohibitions on trademark infringement and unfair competition (15 U.S.C. §§ 1114(1) and 1125(a)) are fully available to trademark owners to employ against activities which mislead and deceive the public by creating a false perception that a third-party is sponsored by, connected with, endorsed by or supervised by the trademark owner when they are not. The Lanham Act's prohibitions on dilution of famous marks (15 U.S.C. § 1125(c)) are fully available to trademark owners to employ against activities which dilute their famous marks. In short, the Seventh Circuit's ruling is limited to dilution and the case specific facts, including petitioner's own marketing strategy, as the Seventh Circuit explained:

> But this case is unusual because, given Perryman's status as a seller in the secondary market created as a result of Ty's marketing strategy, we cannot imagine a state of facts consistent with the extensive record compiled in the summary judgment proceeding that could possibly justify an injunction against Perryman's representing in her business name and Internet and Web addresses that she is doing what she has

a perfect right to do, namely sell Beanie Babies.

Pet. App. 11a-12a.

The Seventh Circuit's ruling was proper in all respects, is not in conflict with any case law, and the respondent respectfully requests this Honorable Court to deny the Petition for Writ of Certiorari.

I. THE SIXTH CIRCUIT HAS NULLIFIED THE "PACCAR" DILUTION ANALYSIS

The petitioner relies heavily on, and quotes directly from, the dilution analysis in *PACCAR, Inc. v. TeleScan Techs., LLC.*, 115 F.Supp.2d 772 (E.D. Mich. 2000), which is a decision granting a preliminary injunction. Pet. at 10, 11, 13. Subsequently, however, the Sixth Circuit affirmed the preliminary injunction on the likelihood of success on merits of the trademark infringement claim only, and nullified the district court's trademark dilution analysis, noting that the district court engaged in a cursory analysis and failed to apply the required factors. *PACCAR, Inc. v. TeleScan Techs.*, LLC., ___ F.3d ___ (6th Cir. 2003) 2003 WL 244803 *11.

II. THE RULING DOES NOT CONFLICT WITH CASE LAW

The Seventh Circuit's ruling does not, and cannot, conflict with petitioner's "automobile reseller" authorities (Pet. at 7-9); these are trademark infringement and unfair competition decisions under 15 U.S.C. §§ 1114(1) and 1125(a) in which confusion or the likelihood of confusion, particularly consumers' false belief they

were dealing with an authorized franchised dealer, was the *determining* factor. The Third Circuit upheld a preliminary injunction enjoining use of designations such as "Volkswagen Dealer" except in conjunction with the legend 'Not a Franchised Volkswagen Dealer' to prevent the consumer confusion created by defendant's falsely holding itself out as an authorized franchised Volkswagen Dealer. *Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.*, 348 F.2d 659, 660 (3rd Cir. 1965). Likewise the Fifth Circuit, in *Trail Chevrolet, Inc. v. General Motors Corp.*, 381 F.2d 353 (5th Cir. 1967) and in *Volkswagenwerk Aktiengesellschaft v. Rickard,* 492 F.2d 474, 478 (5th Cir. 1974) held that there was ample evidence supporting the findings that the accused uses were likely to cause confusion, and to mislead and deceive the public regarding authorized dealer status, under trademark infringement and unfair competition counts. The absence of any *per se* rules even on trademark infringement and unfair competition prohibitions is highlighted by the Ninth Circuit in *Volkswagenwerk Aktiengesellschaft v. Church,* 411 F.2d 350, 352 (9th Cir. 1969), the Ninth Circuit stating that the question is one of fact, and each case of this type must be decided on its own facts.

The absence of any *per se* rules even on trademark infringement and unfair competition is also seen in the above case law in the reliance on other factors that convey the false impression of authorized dealership status. In *Volks City, id.* at 660 these other factors include advertising references to "brand new" and "factory fresh" and a location well known as trademark owner's headquarters and principal manufacturing point. In *Rickard, id.* at 475 and 477-78, the ruling was expressly deemed supported by the cumulative effect of the use of five of the

trademark owner's trademarks, including a logo, and the precise mimicking of authorized dealers' advertising.

These four ineptly styled "automobile resellers" decisions[1] are wholly reconcilable with the Seventh Circuit's ruling and the petitioner misinforms by bundling trademark dilution together with trademark infringement and unfair competition under the rubric of "trademark laws." Pet. at 1, 6, 7, 12, 16. Again, the petitioner voluntarily dismissed with prejudice its trademark infringement and unfair competition counts, and the Seventh Circuit's ruling expressly found that confusion was not a factor. Res. App. 2a. Pet. App. 3a. The Seventh Circuit's ruling implicitly recognizes that trademark dilution is a discrete part of the trademark laws with different, and not inherently lesser, standards, and applied those standards to specific and unusual facts. Pet. App. 1a-12a.

The petitioner is also incorrect regarding a conflict with the Second Circuit's opinion in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (1999).[2] Pet. at 4, 10, 15, 16. The factual differences in *Nabisco, id.* are three-fold; the trademark was used on a third party product, the accused use caused confusion and the trademark was not only famous but also "distinctive" in the trademark sense of being unrelated to the product. *Nabisco, id.* at 215-18. The Seventh Circuit's sharp comments on the

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1 In *Rickard, id.* and *Church, id.* the accused were not selling or reselling the trademark owner's product, but rather they were selling their own services.

2 *Nabisco, id.* is cited in the present Seventh Circuit's opinion (Pet. App. at 2a).

respondent's sales of third party products, although the sales were of minor volume, demonstrate an accord, not a conflict, between the Seventh Circuit's ruling and the Second Circuit's ruling in *Nabisco, id.* Pet. App. 10a-11a.

The petitioner is incorrect regarding a conflict with the Toeppen line of case law.[3] Pet. at 10. As explained by the Ninth Circuit in the culminate ruling in *Panavision International, L.P. v. Toeppen,* 141 F.3d 1316, 1325-1327 (1998), Toeppen's wrongful "business" activity was to register trademarks as domain names and then sell them to the rightful trademark owners. The respondent sells second-hand beanbag animals. Pet. App. 1a. The Seventh Circuit's ruling even described and distinguished such core cybersquatting activities. Pet. App. 8a.

The petitioner is incorrect regarding a conflict with Third Circuit opinion in *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.,* 212 F.3d 157 (3rd Cir. 2000) (Pet. at 14), the Fourth Circuit's opinion in *Ringling Bros.-Barnum & Bailey Comb. Shows, Inc. v. Utah Div. Travel Dev.*, 170 F.3d 449 (4th Cir. 1999) (Pet. at 15), the Second Circuit's opinion in *Federal Express Corp. v. Federal Espresso, Inc.,* 201 F.3d 168 (2nd Cir. 2000) (Pet. at 15), and the Sixth Circuit's opinion in *V. Secret Catalogue, Inc. v. Moseley,* 259 F.3d 464 (6th Cir. 2001), *cert. granted,* 122 S.Ct. 1536 (2002) (Pet. at 14, 15). In all four opinions, the asserted trademark was used on a third party product or to sell a third-party service. *Times Mirror, id.* at 160.

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[3] Two of the "Toeppen" decisions were cited in the Seventh Circuit's opinion in connection with the observation that a few cases suggest that the concept of dilution is not exhausted by blurring and tarnishment. Pet. App. 5a-6a.

Ringling Bros., id. at 451. *Federal Express, id.* at 170. *V. Secret Catalogue, id.* at 466-47.

The only other case law above the district court level which is cited by the petitioner is *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036 (9th Cir. 1999). Pet. at 13, footnote 2. *Brookfield Communications, id.* is a trademark infringement case and therefore, as explained above, the Seventh Circuit's ruling does not, and cannot, conflict with it. *Brookfield Communications, id.* at 1041.

Regarding a conflict with the published and unpublished district court case law cited by the petitioner, any such conflict would not present a compelling reason to grant the Petition, and there is no conflict. The majority of these district court decisions present no conflict simply because they, like the "automobile resellers" case law discussed above, are trademark infringement and unfair competition decisions. In this category are the decisions of: *General Motors Corp. v. Smith,* 138 U.S.P.Q. 382 (S.D. Cal. 1963) (Pet. at 9); *Lincoln Motor Co. v. Lincoln Automobile Co.,* 44 F.(2d) 812 (N.D. Ill. 1930) (Pet. at 9); *Ford Motor Co. v. Weibel,* 262 F.Supp. 932 (D.R.I. 1967) (Pet. at 9); *Dr. Ing. H.C.F. Porsche AG v. Zim,* 481 F.Supp. 1247 (N.D.Tex. 1979) (Pet. at 8); *Volkswagenwerk Aktiengesellschaft v. Karadizian,* 170 U.S.P.Q. 565 (C.D.Cal. 1971) (Pet. at 9); *Volkswagenwerk Aktiengesellschaft v. Brewer*, 170 U.S.P.Q. 560 (D.Ariz. 1971) (Pet. at 9); *Volkswagenwerk G.m.b.H. v. Frank,* 198 U.S.P.Q. 916 (D.Colo. 1961) (Pet. at 9); *Volkswagenwerk Aktiengesellschaft v. Tatum,* 344 F.Supp. 235 (S.D.Flor. 1972) (Pet. at 9); *Porsche Cars North America Inc. v. Manny's Porshop, Inc.,* 972 F.Supp. 1128 (N.D.Ill. 1997) (Pet. at 11);

Green Products Co. v. Independence Corn By-Products Co., 992 F.Supp. 1070 (N.D. Iowa 1997) (Pet. at 12); *Teletech Customer Care Management, Inc. v. Tele-Tech Company, Inc.*, 977 F.Supp. 1407 (C.D.Cal. 1997) (Pet. at 13); *Playboy Enters., Inc. v. Asiafocus Intern., Inc.*, 1998 WL 724000 (E.D. Va April 10, 1998) (Pet. at 13). Other district court decisions do not conflict because the trademark was unrelated to the nature of the product, the trademark was used to sell a third party's own product or service, and the likelihood of confusion was enhanced by other factors such as use of the trademark's distinguished script or the trademark owner's logo. In this category are the decisions of: *Trans Union LLC v. Credit Research, Inc.*, 142 F.Supp.2d 1029 (N.D.Ill. 2001) (Pet. at 4, 11); *General Motors Corp. v. E-Publications LLC*, 2001 WL 1798648 (E.D.Mich. Nov. 26, 2001) (Pet. at 11); *Caterpillar Inc. v. Telescan Technologies, L.L.C.*, 2002 WL 1301304 (C.D.Ill. Feb. 13, 2002) (Pet. at 11). (The decision of *PACCAR, Inc. v. TeleScan Techs., LLC.*, 115 F. Supp.2d 772 (E.D. Mich. 2000), *aff'd*, ___ F.3d ___ (6th Cir. 2003) 2003 WL 244803, which was nullified as to its dilution analysis by the Sixth Circuit as explained above, would have otherwise been in this category.) The remaining district court case law does not present a conflict because the trademark was used to sell a third party's product or service, and within this last category are the decisions of: *Ford Motor Co. v. Ford Financial Solutions, Inc.*, 103 F.Supp.2d 1126 (N.D.Iowa 2000) (Pet. at 12); *Victoria's Secret Stores v. Artco Equipment Co.*, 194 F.Supp.2d 704 (S.D.Ohio 2002) (Pet. at 12); *People for the Ethical Treatment of Animals, Inc. v. Doughney*, 133 F.Supp.2d 915 (E. D.Va. 2000), *aff'd*, 263 F.3d 359 (4th Cir. 2001) (Pet. at 13).

III. THE RULING DOES NOT LIMIT THE DILUTION CONCEPT

The petitioner contends that the Seventh Circuit's ruling confines the concept of what is dilution to three circumstances, namely blurring, tarnishment and free-riding. Pet. at 5. The petitioner misinforms. The Seventh Circuit's opinion first explains the concepts of blurring and tarnishment (Pet. App. 4a-5a) and then goes on to explore expansion of the dilution concept beyond blurring and tarnishment. The Seventh Circuit's opinion does not hold that the dilution concept is exhausted by blurring and tarnishment, but rather that none of the extended rationales support the petitioner's position not only because the respondent is reselling the petitioner's product, but also because the petitioner's marketing strategy created the secondary market, the trademark describes a basic element of the product, and the trademark is the catchier word for the product. Pet. App. 5a-10a.

In short, the Seventh Circuit's opinion leaves the concept of dilution open for possible expansion in other cases, while showing a strong displeasure with the petitioner's attempts to use its intellectual property to control peripheral markets. Pet. App. 8a.

IV. THE RULING DOES NOT PROVIDE A SAFE HARBOR UNDERMINING TRADE

The Seventh Circuit's ruling does not provide a safe harbor from the reach of trademark laws nor hamper overseas trade negotiations as the petitioner contends. Pet. at 7, 16, 17. As explained above, if consumer confusion is likely, the prohibitions

on trademark infringement and unfair competition are available. If famous marks are being diluted or tarnished, the FTDA is available, and further the concept of dilution remains open for expansion, including expansion to prevent marks unrelated to the nature of the product from becoming generic.

CONCLUSION

For the foregoing reasons, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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APPENDIX A - MINUTE ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED JANUARY 9, 2002

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

Case Number: 1:99-cv-08190

Title: Ty Inc. v. Perryman

Assigned Judge: Honorable John F. Grady

MINUTE ORDER OF 1/9/02 by Hon. John F. Grady: Plaintiff's motion for entry of final judgment pursuant to F.R.C.P.54(B) is denied [52-1] ; and motion to continue trial date is granted [52-2] . Defendant's motion for an order requiring plaintiff to lucidly identify its trial exhibits is granted [50-1] ; parties are to serve each other with lists of their witnesses and documents that will be used in its case in chief by 1/23/02. Mailed notice.

This docket entry was made by the Clerk on January 11, 2002.

APPENDIX B - MINUTE ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED MARCH 6, 2002

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF ILLINOIS

Case Number: 1:99-cv-08190

Title: Ty Inc. v. Perryman

Assigned Judge: Honorable John F. Grady

MINUTE ORDER OF 3/6/02 by Hon. John F. Grady: Plaintiff's motion for voluntary dismissal of its remaining counts with prejudice [55-1] and motion for entry of final judgment order [55-2] are granted with modifications. Trial date of 03/11/02 is vacated. Summary judgment was entered against the defendant for trademark dilution on 07/17/01. Each party will bear its costs and attorney fees for the entirety of this action at the District Court level terminating case. (Entered Final Judgment Order.) Mailed notice.

This docket entry was made by the Clerk on March 11, 2002.

APPENDIX C - FINAL JUDGMENT ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED MARCH 6, 2002

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

No. 99 C 8190

TY INC.,

Plaintiff,

v.

RUTH PERRYMAN,

Defendant.

FINAL JUDGMENT ORDER

Having entered summary judgment against Defendant for trademark dilution on July 17, 2001, IT IS HEREBY ORDERED THAT:

1. Defendant and all of her agents, officers, employees, representatives, successors, assigns and all other persons acting for, with, by, through or under authority from Defendant, or in concert or participation with Defendant, are hereby permanently enjoined and restrained from using BEANIE or BEANIES or any colorable imitation thereof (whether alone or in connection with other terms) within any business name, Internet domain name, or trademark, or in

connection with any non-Ty products.

2. Each party will bear its own costs and attorney fees for the entirety of this action at the district court level.

DATE: March 6, 2002

ENTER: s/ John F. Grady

John F. Grady, United States District Judge

APPENDIX D - FINAL INJUNCTION ORDER OF THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION DATED DECEMBER 3, 2003

IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION

No. 99 C 8190

TY INC.,

Plaintiff,

v.

Defendant.

FINAL INJUNCTION ORDER

Pursuant to a remand from the United States Court of Appeals for the Seventh Circuit, IT IS HEREBY ORDERED THAT:

1. Defendant and all of her agents, officers, employees, representatives, successors, assigns and all other persons acting for, with, by, through or under authority from Defendant, or in concert or participation with Defendant, are hereby permanently enjoined and restrained from (a) using the trademarks BEANIE or BEANIES or any colorable imitation thereof (whether alone or in connection with other terms) in connection with any non-Ty products; and (b) advertising or selling any non-Ty products at any web site

containing the trademarks BEANIE or BEANIES or any colorable imitation thereof (whether alone or in connection with other terms, including, without limitation, BARGAINBEANIES.COM) within the domain name.

2. The Registrar Certificate for Perryman's BargainBeanies.com Internet domain name is hereby released entirely from the control and authority of this Court.

3. Paragraph 2 of this Order is stayed pending any appeal of this Order by Ty, but in the event that no appeal has been filed by January 17, 2003, the stay of paragraph 2 shall terminate and paragraph 2 shall thereafter be in full force and effect.

4. Costs in the amount of $299.39 taxed in favor of Defendant by the United States Court of Appeals for the Seventh Circuit are hereby awarded, and each party will bear all other of its costs and attorney fees for the entirety of this action.

SO ORDERED:

DATE: December 30, 2002

s/ John F. Grady

John F. Grady, United States District Judge

APPENDIX E -- ADDITIONAL RELEVANT STATUTES

15 U.S.C. §1114(1)

(1) Any person who shall, without the consent of the registrant--

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution. or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive,

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

As used in this paragraph, the term "any person" includes the United States, all agencies and

instrumentalities thereof, and all individuals, firms, corporations, or other persons acting for the United States and with the authorization and consent of the United States, and any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, and any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this Act in the same manner and to the same extent as any nongovernmental entity.

Appendix E

15 U.S.C. §1125(a)

(a)(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or anotherperson's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Supreme Court, U.S.
FILED
MAR 19 2003
OFFICE OF THE CLERK

No. 02-1142

IN THE

Supreme Court of the United States

TY INC.,

Petitioner,

v.

RUTH PERRYMAN,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT

REPLY BRIEF

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STATEMENT PURSUANT TO RULE 29.6

Petitioner's corporate disclosure statement was set forth at page *ii* of its Petition for Writ of Certiorari, and there are no amendments to that statement.

TABLE OF CONTENTS

Page

Statement Pursuant to Rule 29.6 i

Table of Contents ii

Table of Cited Authorities iii

Reply Brief 1

Conclusion 9

TABLE OF CITED AUTHORITIES

Page

CASES

Federal Express Corp. v. Federal Espresso, Inc.,
201 F.3d 168 (CA2 2000) 6

Moseley v. V. Secret Catalogue, Inc.,
No. 01-1015 (U.S. Mar. 4, 2003) 6

Nabisco, Inc. v. PF Brands, Inc.,
191 F.3d 208 (CA2 1999) 6

PACCAR, Inc. v. TeleScan Techs., LLC,
115 F. Supp. 2d 772 (E.D. Mich. 2000) 7

PACCAR Inc. v. Telescan Techs., L.L.C.,
319 F.3d 243 (CA6 2003) 7, 8

Panavision Int'l, L.P. v. Toeppen,
141 F.3d 1316 (CA9 1998) 6

Ringling Bros.-Barnum & Bailey Comb. Shows, Inc. v. Utah Div. of Travel Dev.,
170 F.3d 449 (CA4 1999) 6

Times Mirror Magazines, Inc. v. Las Vegas Sport News, L.L.C.,
212 F.3d 157 (CA3 2000) 6

Trail Chevrolet Inc. v. General Motors Corp.,
381 F.2d 353 (CA5 1967) 5

Cited Authorities

Page

Volkswagenwerk Aktiengesellschaft v. Church,
411 F.2d 350 (CA9 1969) 5

Volkswagenwerk Aktiengesellschaft v. Rickard,
492 F.2d 474 (CA5 1974)) 5

Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.,
348 F.2d 659 (CA3 1965) 4

STATUTES

15 U.S.C. §§ 1114(1) and 1125(a) 4

OTHER AUTHORITIES

H.R. Rep. No. 104-374 5

3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*,
§ 23:50 (4th Ed. 2002) 7

In its petition for certiorari, Ty demonstrated that the Seventh Circuit's ruling runs counter to every opinion that has ever considered the unauthorized use of a trademark as part of a business name. In dozens of cases – exemplified by those involving the sale or service of automobiles – the circuit and district courts have consistently held that the unauthorized use of a trademark in a business name violates the trademark owner's rights, whether in the context of trademark infringement, unfair competition or, most recently, the Federal Trademark Dilution Act. Petitioner and *amicus* AT&T further demonstrated the marked adverse effect that the ruling below will have on famous trademarks, with *amicus* focusing particularly on the irony that the Seventh Circuit all but embraces the prospect of famous trademarks becoming generic terms, despite Congress's clear intent to the contrary.

Respondent has opposed the grant of certiorari by claiming that the opinion below is innocuous, and limited to the peculiar facts of this case. Respondent further states that the case authority cited by petitioner is distinguishable, either because the cases were decided under the trademark infringement rather than trademark dilution provisions of the Lanham Act, or because the cases involved particular facts not present here. Those arguments lack merit. The Seventh Circuit's ruling is not limited to the particular facts of this case, but announces a broad and generally applicable proposition of law. Moreover, respondent's attempt to distinguish the authorities cited by Ty ignores the obvious import of those decisions – *viz.*, that the unauthorized use of a trademark in a business name cannot be countenanced under the infringement or dilution laws because a mark that appears as part of a business name refers to the business itself – not the products or services being offered by the business. In the

context of the FTDA, this means that the mark so used no longer signifies something unique, singular, or particular.

1. Respondent principally opposes certiorari on the grounds that the Seventh Circuit's ruling is assertedly limited to the "case specific facts" based on "petitioner's own marketing strategy" and has no "far reaching implications for owners of famous marks." BIO 3. To support this argument, respondent quotes a passage lifted from the final paragraph of the opinion, in which the court characterizes this case as "unusual." Read in context, however, that statement by the court of appeals' merely demonstrates the opinion's extraordinary breadth:

> The judge merely granted summary judgment for Ty, and we are merely reversing (in part) that ruling. *Ordinarily this would mean that Ty would have a shot at a trial in which it might try to convince the judge . . . that its rights under antidilution law really were violated. But this case is unusual* because, given Perryman's status as a seller in the secondary market created as a result of Ty's marketing strategy, we cannot imagine a set of facts consistent with the extensive record compiled in the summary judgment proceeding that could possibly justify an injunction against Perryman's representing in her business name and Internet and Web addresses that she is doing what she has a perfect right to do, namely sell Beanie Babies. We therefore direct that the proceedings on remand be limited to the reformulation of the injunction in conformity with this opinion.

Pet. App. 11a-12a (emphases added). The Seventh Circuit was thus adopting the admittedly "unusual" rule that

Petitioner Ty would *not* receive a trial on its claims because its allegations could not, in the court's view, state a claim *as a matter of law*.

Indeed, in that portion of the opinion in which the Seventh Circuit ruled on the merits, the court's determination that Respondent could use Ty's famous mark in her domain and business name was based on the fact that Perryman was re-selling Ty's products, not in the court's belief that Ty may have been instrumental in creating the secondary market, as Respondent now urges:

> Perryman is not producing a product, or a service, such as dining at a restaurant, that is distinct from any specific product; rather, she is selling the very product to which the trademark sought to be defended against her "infringement" is attached. * * * [The secondary] market is unlikely to operate efficiently if sellers who specialize in servicing it cannot use "Beanies" to identify their business. Perryman's principal merchandise is Beanie Babies, so that to forbid it to use "Beanies" in its business name and advertising (Web or otherwise) is like forbidding a used car dealer who specializes in selling Chevrolets to mention the name in his advertising.

Pet. App. pp. 6a-7a. Accordingly, Respondent's claim that the Seventh Circuit's ruling has no "far reaching implications for owners of famous marks" is incorrect. *See also* Brief of AT&T Corp. as *Amicus Curiae* in Support of Petitioner 7 ("The Seventh Circuit's decision warrants review and reversal because it undermines the very ability of the owner of a famous mark to preserve the uniqueness of that mark by enjoining the unauthorized, unrelated reseller from using the

famous mark as the reseller's own business and domain name.")

2. Respondent further contends that the "automobile reseller" cases cited by Petitioner do not raise a conflict because they are trademark infringement and unfair competition cases under 15 U.S.C. §§ 1114(1) and 1125(a), in which likelihood of confusion was the determining factor. *See* BIO 4-5, 8-9. However, the trademark infringement and dilution provisions of the Lanham Act work in tandem, and the fact that some of the automobile reseller cases cited by petitioner were decided under the trademark infringement statutes does not diminish their importance. A claim of trademark infringement is *more* difficult to make out than a claim under the FTDA, which does not require the plaintiff to prove confusion. The "automobile reseller" cases cited by Petitioner are equally instructive in the context of trademark dilution, because they recognize the important principle that use of a trademark as part of a business name is significantly different than use of a trademark to advertise trademarked goods. Indeed, these courts noted that a trademark incorporated into a business name was actionable infringement because such use referred to the business itself rather than the product being sold or serviced by the business, and hence created a likelihood of confusion as to the source of the business (because consumers were likely to be misled into believing that the businesses were affiliated with the trademark holder when they were not). These courts, however, realized that the trademark laws do not prohibit use of a trademark in advertisements to describe truthfully the trademarked goods being sold.[1]

1. *See Volkswagenwerk Aktiengesellschaft v. Volks City, Inc.*, 348 F.2d 659, 660 (CA3 1965) (use of "Volkswagen" in business

(Cont'd)

These same principles apply in the context of trademark dilution. That is, when a third party, such as Respondent, uses a famous trademark in her business and domain names, the trademark refers to the business itself rather than the trademarked goods. As a result, the trademark will call to the public's mind not only the trademark owner, but every other entity that uses the mark in its business name or domain name. This, in turn, causes the mark to lose its distinctiveness. Although, in the dilution cases, there may not be confusion as to the source of these businesses, the fact that the use "reduces the public's perception that the mark signifies something unique, singular, or particular" triggers the protection of the dilution laws. *See* H.R. Rep. No. 104-374 at 1030. The Seventh Circuit's rejection of this critical principle therefore does in fact create a conflict with other circuits.[2]

(Cont'd)
names (such as "Volks City," "Volkswagen City," and "Beetle City,") conveyed the impression of affiliation with plaintiff and was preliminarily enjoined, but use of the sign "Volkswagens For Sale" was not enjoined); *Trail Chevrolet Inc. v. General Motors Corp.*, 381 F.2d 353, 354 (CA5 1967) (seller of Chevrolet cars could not use "Chevrolet" in business name because this use suggested that it was a GM authorized dealer, although seller was "free to advertise that they sell used Chevrolets"); *Volkswagenwerk Aktiengesellschaft* v. *Rickard*, 492 F.2d 474 (CA5 1974) (defendant could not use plaintiff's marks as part of its business name, "The Bug Shop," but could use plaintiff's trademarks to advertise that it serviced plaintiff's cars); and *Volkswagenwerk Aktiengesellschaft v. Church*, 411 F.2d 350, 351-52 (CA9 1969) (defendant's use of the mark "Volkswagen" as part of its business name violated the trademark laws, although the defendant could advertise that it serviced Volkswagen and Porsche automobiles).

2. Respondent's attempt to distinguish the other cases cited by petitioner because they involved different facts than the case at bar
(Cont'd)

This Court's intervening opinion in *Moseley v. V. Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003) involved a different aspect of the FTDA, and does not suggest a different result in the instant case. Petitioner does not rely on the theory rejected by this Court in *Moseley – viz.*, that an FTDA plaintiff need not prove actual dilution. Rather, Petitioner takes issue with the appellate court's holding that Petitioner could not prove dilution solely because Respondent was reselling Petitioner's products. Furthermore, in *Moseley*, this Court stated that "*where the marks at issue are not identical*, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution" *Id.*, slip op. at 15 (emphasis added). *Moseley* thus suggests that that where, as here, the marks are identical, the fact that consumers will mentally associate the junior user's mark (Bargain Beanies) with a famous mark (Beanies) *is* sufficient to establish actionable dilution. *See id.* at 16 ("actual dilution can be reliably proven through circumstantial evidence – the obvious case is one where the junior and senior marks are identical.").

(Cont'd)

should also be disregarded, because the general statements about the background and purpose of the dilution statute as set forth in these cases applies regardless of the facts. *See, e.g., Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (CA9 1998), *Times Mirror Magazines, Inc. v. Las Vegas Sport News, L.L.C.*, 212 F.3d 157 (CA3 2000), *Ringling Bros.-Barnum & Bailey Comb. Shows, Inc. v. Utah Div. of Travel Dev.*, 170 F.3d 449 (CA4 1999), and *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (CA2 2000). Moreover, although this Court recently disagreed with the holding in *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208 (CA2 1999), which held that dilution under the FTDA can be established through likelihood of dilution rather than actual dilution (*see Moseley v. V. Secret Catalogue, Inc.*, No. 01-1015 (U.S. Mar. 4, 2003) at 14), Petitioner does not rely upon this aspect of *Nabisco* in support of its Petition.

In this regard, it should be remembered that the courts exclude generic or common descriptive words used in connection with trademarks (such as the generic word "bargain" in Respondent's "Bargain Beanies" mark) when determining the similarity of two marks. This is precisely what the Sixth Circuit did in *PACCAR Inc. v. Telescan Techs., L.L.C.*, 319 F.3d 243 (CA6 2003), where the court "exclud[ed] the generic or common descriptive words following the [defendant's] mark such as 'trucks' and 'dealers'" and found that the domain names peterbiltnewtrucks.com and kenworthusedtrucks.com contained an "exact character match" to plaintiff's peterbilt.com and kenworth.com marks. *Id.* at 252. *See also* 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:50 at p. 23-248 (4th Ed. 2002) ("the general rule is that a subsequent user may not avoid likely confusion by appropriating another's entire mark and adding descriptive or non-distinct matter to it.")

3. Respondent's contention that the district court's opinion in *PACCAR, Inc. v. TeleScan Techs., LLC*, 115 F.Supp.2d 772 (E.D. Mich. 2000), has been "nullified" by the Sixth Circuit (BIO 4) is also meritless. In *PACCAR*, the district court preliminarily enjoined the defendant from using Plaintiff's "Peterbilt" and "Kenworth" trademarks in its domain names for a website that located used Peterbilt and Kenworth trucks. The injunction was issued on the basis of trademark infringement, as well as trademark dilution under the Lanham Act. 115 F. Supp. 2d at 779-80. The defendant appealed and, after Ty filed its Petition for Certiorari in this case, the Sixth Circuit issued its opinion in *PACCAR*. Because the Sixth Circuit affirmed the grant of the preliminary injunction on the basis of trademark infringement, it did not reach the issue of whether the defendant's use of the

plaintiff's marks also constituted dilution, particularly where neither party "devote[d] much of its argument on appeal to the dilution issue, concentrating instead on the infringement claim." *PACCAR*, 319 F.3d at 257. Accordingly, nothing about the Sixth Circuit's decision calls the district court's dilution analysis into question.

In fact, the Sixth Circuit's opinion in *PACCAR* lends support to Ty's Petition for Certiorari because it confirms as "obvious" that "words in many domain names can and do communicate information as to the source or sponsor of the web site," and further notes that where the defendant included the plaintiff's trademarks in its domain names, it was "thereby describing its own products – its web sites." *PACCAR*, 319 F.3d at 250, 256.

CONCLUSION

For the foregoing reasons, and the reasons stated in the petition and the *amicus* brief in support of the petition, certiorari should be granted.

Respectfully submitted,

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